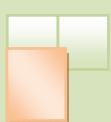


2010/11

# Annual Report

## BAVIAANS MUNICIPALITY



## CONTENTS

### **PART 1: INTRODUCTION AND OVERVIEW**

A.	Mayor's Foreword .....	2
B.	Yearly Program Priorities' Statement .....	3
C.	Overview of the Municipality .....	5
D.	Executive Summary .....	7

### **PART 2: KPA ACHIEVEMENT REPORTS**

#### **Chapter 1 – Organisational Transformation and Institutional Development (KPA 1)**

1.1	Presentation of the Organisational Structure .....	11
1.2	Staff development initiatives during the financial year .....	11
1.3	Key HR statistics per functional area .....	12
1.4	Annual Performance as per key performance indicators .....	20

#### **Chapter 2 – Basic Service Delivery Performance Highlights (KPA 2)**

2.1	Water services .....	22
2.2	Electricity services .....	23
2.3	Sanitation .....	24
2.4	Road Construction and Maintenance .....	25
2.5	Waste Management .....	27
2.6	Housing and Town Planning .....	28
2.7	Spatial Planning .....	33
2.8	Indigent Policy Implementation .....	34
2.9	Overall Service Delivery Backlogs .....	35

### **Chapter 3 – Municipal Local Economic Development Framework (KPA 3)**

3.1	Brief presentation of LED plan .....	39
3.2	Progress towards achieving the LED key objectives .....	39
3.3	Annual Performance as per key performance indicators .....	52
3.4	Challenges regarding LED strategy implementation .....	52

### **Chapter 4 – Municipal Financial Viability and Management (KPA 4)**

4.1	Financial Statements .....	53
4.2	Auditor General’s Report.....	137
4.2.1	<i>Mayor’s views on Auditor General’s Report.</i> .....	154
4.2.2	<i>Business plan to address Auditor General’s Report.</i> .....	161
4.3	The Audit Committee report .....	177
4.4	Budget to actual comparison .....	177
4.5	Grants and Transfers spending .....	177
4.6	Meeting of Donor’s requirements in respect of conditional Grants .....	177
4.7	Long term contracts entered into by the Municipality .....	178
4.8	Annual Performance as per key performance indicators .....	181
4.9	Arrears in property rates and service charges.....	181
4.10	Anti-corruption Strategy .....	181

### **Chapter 5 – Good Governance and Public Participation (KPA 5)**

5.1	Overview of Executive and Council functions and Achievements .....	182
5.2	Public participation and consultation .....	182
5.3	Ward Committees’ establishment and functionality .....	183
5.4	Community Development Workers Performance and Monitoring.....	183
5.5	Communication strategy .....	183
5.6	Intergovernmental Relations .....	184

5.7	Legal Matters .....	184
5.8	Local Government Turn Around Strategy .....	185

### **PART 3 – FUNCTIONAL AREAS REPORTING AND ANNEXURES**

#### **Functional Area Service Delivery Reporting**

FUNCTION	SUB-FUNCTION	PAGE
General Information	Population statistics	195
Finance and Administration	Finance	196
Planning and Development	Economic Development	205
Community and Social Services	All inclusive	208
Housing	n/a	211
Waste management	Solid waste	213
Waste water management	Sewerage, etc	214
Road Transport	Roads	215
Water	Water distribution	217
Electricity	Electricity distribution	219

### **PART 4 - ANNEXURES**

Annexure A – Management Structure.....	223
Annexure B – Annexures indicating performance 2010/11	
i. EPWP – Job creation.....	234
ii. MEC comments on IDP.....	236
iii. Municipal Excellence Performance (Vuna) Awards.....	240
iv. Service Delivery Survey.....	242

## **PART 1: Introduction and Overview**

## A. FOREWORD BY THE MAYOR

The Annual Report 2010/11 reflected a contradictory view on the effectiveness of Baviaans Municipality. On the one hand, the performance of the municipality on service delivery is good. It can be deducted from the Annual Report that the Baviaans Municipality fulfils its core functions related to service delivery, see Annexures on service delivery performance (Annexure B). The other view is that of a municipality which has experienced huge control and compliance problems. This can be derived from the Audit report and the disclaimer opinion of the Auditor General on the Annual Financial Statements, 2010/11.

Once again, the management compiled a business plan to address the issues raised by the Auditor General. The positive side of the Audit Report 2010/11 is that there is ample time to rectify issues raised by the Auditor General in comparison to time left after the Audit Report 09/10 was tabled in June 2011.

The Baviaans Municipality is a small municipality serving households that are poor (60% indigent households). To deliver services to the extent that is reported in the annual report the municipality needs all the funds available to deliver quality services.

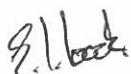
Currently the municipality is experiencing that more and more money is needed to address issues raised by the Auditor General especially issues raised on GRAP compliance.

My concerns of the current situation are that being a small municipality more and more of the resources are channelled away from service delivery to try to receive a clean audit report.

A further concern is that it seems impossible to receive a clean audit report in future looking at the compliance issues that needs to be addressed:

- Unbundling of bulk assets
- Procurement act
- Fully compliant to GRAP as from 2011/12 (no directive anymore)
- “One size fits all” approach by the Auditor General on compliance issue despite the size of the municipality.

My appreciation for the Municipal Manager, managers and staff who was willing as far as service delivery is concerned. On the other hand, I want to urge management to execute the action plan to address the Audit Report 2010/11 so it can prove that the Baviaans is working towards a report that reflects clean administration.



E. Loock

MAYOR

## **B. THE YEARLY PROGRAM PRIORITIES' STATEMENT BY THE MUNICIPAL MANAGER**

The 2010/11 Annual Report of Baviaans Municipality has been prepared in terms of Section 46(1) of the Municipal Systems Act 5 of 2003, Section 121(1) of the Local Government Municipal Finance Management Act 56 of 2003(MFMA) and in line with the customized template and guidelines that were workshopped with Local Municipalities, presented by the Provincial Department of Local Government and Traditional Affairs.

It is important to put emphasis of the purpose of the Annual Report, which is:

To provide a record of activities of Baviaans Municipality during the financial year 2010/11

To provide a report on the performance in fulfilling the objectives as reflected in the IDP, the Budget and Service Delivery and Implementation Plan

To promote accountability on the administrative side to the local community for decisions made throughout the financial year 2010/11. It is also a tool for Council to indicate challenges and priorities for the ensuing year.

During the year under review progress has been made in certain areas

Development Priority	Project Description
Building the institution and Employee Capacity	Challenges: Implementation of Auditor General's Action Plan. Main focus on SAMRAS system. SARS matters related to VAT / PAYE, etc. Adherence to compliance matters

Development Priority	Project Description
Enhance Community Services	Baviaans Municipality is committed to the development of community. There is a specific budget in the Community Department for developmental projects for the community. A database of trained people from the community is being kept not only for record keeping but also to make follow up on progress made by the people who have been trained. For instance, people who have been trained on site for street paving are now able to practically pave streets, these are skills that they can use now on their own without supervision. Further training in project management at this level needs to be done and focus to be given to financial management. Residents underwent a one day course, "On the Money", on how to spend and manage household income

Development Priority	Project Description
Economic Development/Tourism	<p>The promotion of Baviaans integrated development plan has led to Cacadu District Municipality approving and granting funding to municipalities performing in this project. A number of tourism projects have been extensively detailed in this document under Community Services Department KPA.</p> <ul style="list-style-type: none"> <li>1. An Arts and Craft Project started where crafters were trained to develop products of high standards. Baviaans municipality erected a craft shop in Baviaanskloof, which are performing above expectations. We will apply for additional funding for a Phase 2 on this project. A craft shop is also needed in Steytlerville, but due to lack of funding, we could not buy a building.</li> <li>2. Working opportunities were created. A total of 2518 people were appointed in the year 10/11</li> <li>3. 42 Women started with a course in hand and life skills</li> </ul>

Development Priority	Project Description
Basic Infrastructure	<p>This is a pillar for the municipality visible service delivery KPA. Planning in advanced has led us to complete our projects 100% before the end of the financial year. All projects are now completed. In all these projects, local labour and local contractors were employed thus contributing to local economic development in the area.</p>

#### Challenges and Weaknesses on matters raised above

Conversion to GRAP remains a problem due to capacity and training. Effective utilisation of the SAMRAS system will assist us to adhere to correct reporting on Supply Chain, SARS matters related to VAT, PAYE returns, etc.

In developing communities, focus should be on the utilisation of skills acquired and resources obtained in the process as well as the evaluation of individuals who obtained the skills.

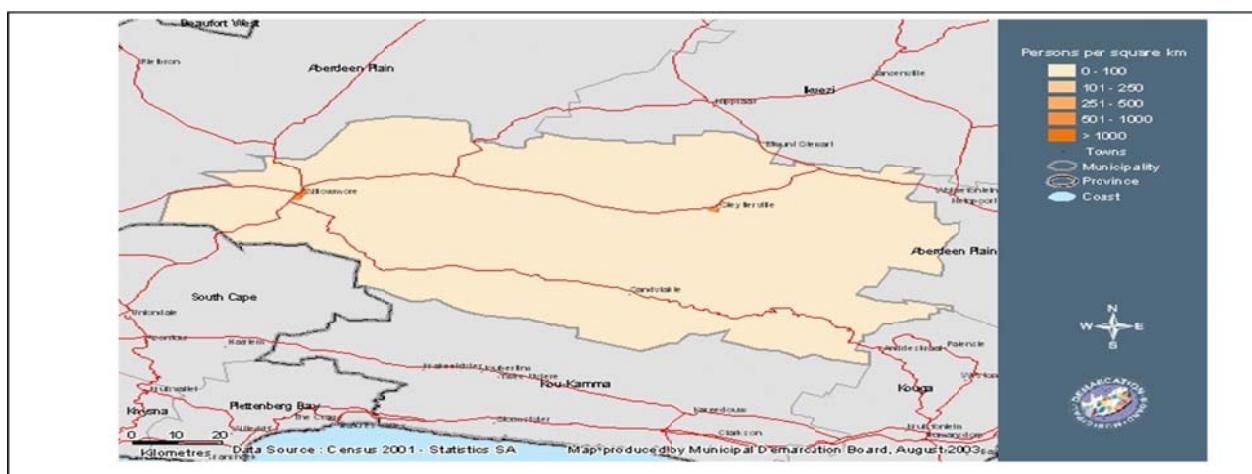
We must measure our successes and failures in promoting economic development and tourism.

With regard to basic infrastructure and Human Settlement, the complicities related to housing construction remains a problem. We shall have reached a milestone if the water project Steytlerville was implemented in 2011.



J Z A Vumazonke  
Municipal Manager

## C. OVERVIEW OF THE MUNICIPALITY



The Baviaans Municipality covers an area of 7727.01 square kilometres with two urban nodes, namely Willowmore and Steytlerville. Willowmore serves as the administrative hub of the area where the local municipality offices, the district offices of national government departments and provincial government departments are situated. The area is scarcely populated (0 – 100 people per km<sup>2</sup>).

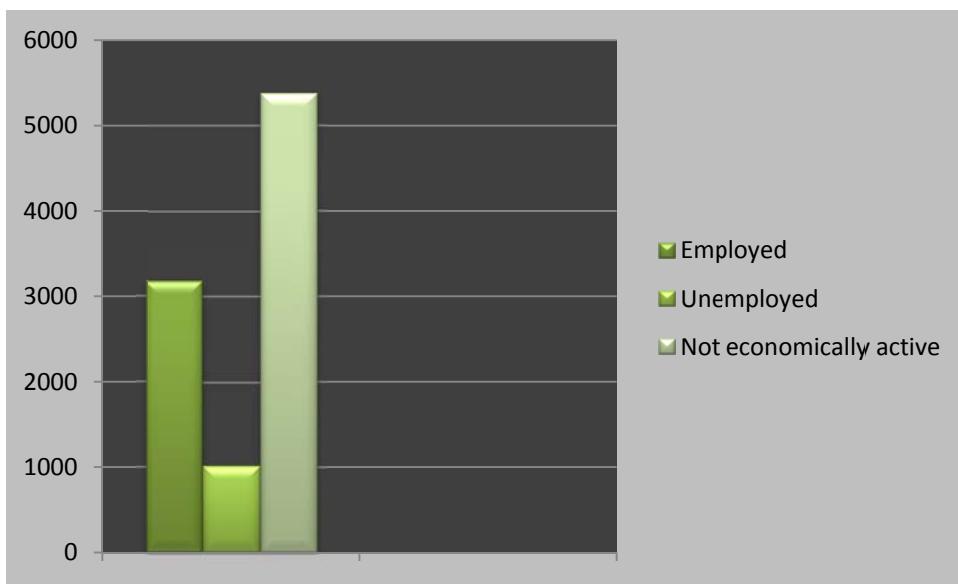
The Local Municipality is situated between 23, 25 degree of longitude, 33, and 34 degree of southern latitude and is at 1 000 to 1 500 meters above sea level.

The well-known Baviaanskloof Nature Reserve is situated to the south. 90% of the mega reserve falls within the Baviaans municipal area.

Agriculture, tourism and service industries form the basis of the area's economy. Due to the world heritage site, the future economic development of this area is based on the development of tourism. The area consists of two urban nodes, various smaller settlements, a well-developed transportation network, farmlands and conservation areas.

The number of people living in poverty is an indicator of household members who reside in households whose total income falls below a particular level. The level used here is based on Global Insight data, which use the Bureau for Market Research (BMR) Minimum Living Level (MLL), which ranges from R 893 for a single person household to R3 314 for an eight-person household. Based on this measure the levels of poverty (an economic measure of household income) in Cacadu have actually increased significantly from 1996 – 2005. Yet, the proportion of people in poverty across the district is lower than the provincial average.

The number of people employed, unemployed and not economically active in Baviaans Municipality is reflected in the figure below:



#### Major events that affected the working environment during the year

- Performance Management cascade to lower level staff
- Area Based Plan and Land Availability Audit
- Communication and Public Participation Plan
- Quarterly Baviaans newsletter to all residents
- Extension of Wanhoop phase 2 – additional water source
- Upgrading of streets and storm water, Willowmore and Steytlerville

## D. EXECUTIVE SUMMARY

### Vision

The Baviaans Municipality strives towards the establishment of a progressive community within a safe environment where basic service delivery is guaranteed and wherein decision-making is based on maximum participation from the community.

### Developmental Goals and Objectives

As reflected in the Municipality IDP its development priorities objectives and strategies can briefly be summarised as follows

#### **Development Priority 1: Building the institution and Employee Capacity**

Objectives	Strategies
1. A well established municipality with sufficient resources and institutional capacity to deliver excellent municipal services	Improve Financial sustainability, by increasing revenue collection base; increase revenue base; reduce unnecessary expenditure; improve financial systems and procedures; strengthen the municipal resources; strengthen municipal accountability; improve and strengthen existing planning systems
2. Working towards the creation of a stable, capacitated personnel –corps geared to increased service delivery and good performance in service delivery	An effective customised organizational structure; create incentives for staff to improve performance/productivity; improve customer care(relations) and service; skills development and training

Achievements and challenges:

#### **Development Priority 2: Enhance Community Services**

Objectives	Strategies
To have proud citizens that contribute to the development of their town/s	Promote education not only academically, but also practical work related learning that would enhance an economically active “ technical trade”; to raise the level of skill competence of the community; remove poverty mentality; instil a sense of pride and ownership and dignity; utilize local skill in community to assist in projects; build community spirit
Ensure youth in Baviaans is actively integrated into and contribute to community development	Provision of recreational and educational facilities; Expose to curricula activities; promote self development; remove helplessness promote interest in education; security and safety
Improve community access to a comprehensive health care service	Investigate private public partnerships; lobby with district and province; promote home based care; improve customer care /service; attract more health services to the area; make transport available for the whole area;

	improve/optimise existing health services available in the area. improve mortuary services
SAPS to fulfil its mandated role and responsibility in the community	Bilateral discussions with SAPS; forge partnership to combat crime; better handling of raped women;
Ensure communities have easier access to social services	Investigate other options to accessible services; improve communication; reduce distance between service and the community
Improve communication with the public	Community established structures to assist/help identify community needs; establish Baviaans news letter

## Achievements and challenges

### Development Priority 3: Economic Development/Tourism

Objectives	Strategy
SMME's are provided with mandated municipal support that facilitates their growth and success	Empowerment of SMME; promote services and products of the SMME; make provision for SMME's to have access and make use of the website; assist with marketing, exposure of SMME products/service; provision of municipal business sites/premises for business; legalise, legitimise Spaza shops; formalize local hawkers to promote organized trade; create opportunities for local job creation; promote local economic development
Tourism :  Tourism development, a pleasurable tourist experience	Promote local tourism; PDI involvement in product ownership of tourism products
Agriculture:  Investigate the financial viability and sustainability of all resources and facilities of already existing agricultural projects and their contribution to LED	Ensure the implementation of sustainable projects; soil conservation; enforcement of by-laws; assist in increasing the number of beneficiaries to be involved in agricultural products; assist to make land available to emerging farmers; encourage households to make use of their gardens to grow vegetable and fruit trees
Tourism and Transport:  To provide a road infrastructure and transport system which is accessible and attract tourists	Establish a well representative body to meet regularly with the Dept of Roads and Transport; Strive for the building of good quality of roads in towns and in rural areas; contribute to more road worthy vehicles; access to transport for the people of Baviaans

## Achievements and challenges

### **Development Priority 4: Infrastructure Development**

Objectives	Strategy
Water : Supply sustainable basic water infrastructure for all inhabitants	Sustainable water supply; effective and efficient accounting system for water usage; budget for operation and maintenance of water reticulation network
Sanitation: Supply sustainable basic sanitation infrastructure to all inhabitants	Provision of an acceptable standard to all communities
Waste Management: Supply sustainable basic infrastructure to all inhabitants	Legal compliance of all dumping sites; improve refuse removal plans;
Housing: Supply basic infrastructure to all inhabitants	Eradicate all squatters and informal settlements ;provide housing for needy people; provision of housing for middle and high income; enhance quality and standards of RDP houses
Electricity: Supply sustainable basic electricity infrastructure	Minimise power failure from the municipality network; eradicate or minimise electricity loss that is not accounted for; electricity supply to all inhabitants by 2012
Streets and storm water: supply sustainable infrastructure to all inhabitants	Improve conditions of internal streets and roads ;
Municipal Buildings: Supply basic infrastructure to all inhabitants	Upgrade Town Halls; encourage effective and efficient usage of municipal halls and buildings by the community

## **PART 2: KPA ACHIEVEMENT REPORT**

## **CHAPTER 1: HUMAN RESOURCE AND OTHER ORGANIZATION MANAGEMENT –KPA 1**

**2010/11 Financial Year**

### **1.1 PRESENTATION OF THE ORGANIZATIONAL STRUCTURE (APPROVED ORGANOGRAM)**

Total number of approved posts	Total number of vacant posts	Number of Performance Agreement Section 57
109	03	5

Change in the organisational structure compared to the previous financial year, 10/11

The following posts were created 10/11:

1. 2 x Electrical Intern
2. Data Capturer
3. 5 x Senior EPWP Overseer
4. Driver's License & Vehicle Examiner

Vacancies: 2010/2011 (30 June 2011)

1. 3 x Electrical
2. 3 x General Worker
3. Administrative Clerk

### **1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR**

Types of training	Number of people
• SAMRAS Basic Expenditure Training	3
• Payroll training	2
• Training on Electrical Fault Analysis	2
• e-Natis training	2
• Professional Minute Taking course	13
• Water & Waste water Treatment	5
• Training on AARTO versus NRTA & Quality Assurance Manual Training	1
• Water & Waste water Treatment	5
• Waste & Waste water	5
• Labour Intensive Methods of construction	1
• Labour intensive methods of construction & EC coaching course	1

### Workplace Skills Plan

A workplace Skills Plan was adopted and implemented.

### Human Resource Development Plan

Substantial progress was made with the development of this plan, which will be adopted in the 2011 / 2012 financial year.

## 1.3 KEY HR STATISTICS PER FUNCTIONAL AREA

### 1. Full time staff complement per functional area (examples are given below)

#### a) MM/Section 57

	Approved positions (e.g. MM –S57 etc.)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	0
2	Chief Financial Officer	1	1	0
3	Corporate Services	1	1	0
4	Technical Services	1	1	0
5	Community Services	1	1	0
	<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>

#### b. Functional areas per organogram

Line Managers: Budget and Treasury Office

	Line Managers	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Accountant: Financial Management & Support	1	1	0
2	Accountant: Debt & Revenue Management	1	1	0
3	Accountant: Supply Chain Management & Expenditure	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

**Line Managers: Technical Department**

	<b>Line Managers</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Assistant Technical Manager	2	2	0
2	Building Inspector	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

**Line Managers: Community Services**

	<b>Line Managers</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Tourism Manager	1	1	0
2	Human Development official	1	1	0
3	LED Official	1	1	0
	<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

**Line Managers: Corporate Services not applicable**

**Staff complement in the Municipal Manager's office**

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Municipal Manager	1	1	0
2	Secretary to the Municipal Manager	1	1	0
	<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

### Staff complement in the Budget and Treasury Office

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Chief Financial Officer	1	1	0
2	Secretary to the Chief Financial Officer	1	1	0
3	Accountant: Debt & Revenue Management	1	1	0
4	Accountant: Financial Management & Support	1	1	0
5	Accountant: Supply Chain Management & Expenditure	1	1	0
6	E Natis License Centre	1	1	0
7	2 x Senior Revenue Clerks: Debt & Revenue	2	2	0
8	Data Capturer	1	1	0
9	2 x Cashier / Enquiry Clerks	2	2	0
10	2 x Meter Readers	2	2	0
11	Senior Revenue Clerk: Expenditure	1	1	0
12	Administration Clerk: Supply Chain Management	1	1	0
13	Data Capturer	1	1	0
	<b>Total</b>	<b>15</b>	<b>15</b>	<b>0</b>

### Staff complement in Technical Services Department

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Technical Services Manager	1	1	0
2	Secretary to the Technical Services Manager	1	1	0
3	Assistant Technical Manager	2	2	0
4	Building Inspector	1	1	0

5	2 x Superintendents: Water & Electricity, Steytlerville	2	2	0
6	Superintendent: Water & Electricity, Willowmore	1	1	0
7	Superintendent: Water & Electricity, Wanhoop	1	1	0
8	Traffic Officer / Protection Services / Disaster Management	1	0	1
9	2 x Foremen Refuse, Willowmore & Steytlerville	2	2	0
10	2 x Foremen, Roads, Willowmore & Steytlerville	2	2	0
11	Drivers	7	6	1
12	General Workers	32	32	0
13	Caretakers: Sport, Municipal ground and buildings	2	2	0
14	Street sweepers	4	4	0
15	Caretaker: Dumping site	2	2	0
16	Caretaker: Sewerage Dams	2	2	0
17	Shift workers	3	3	0
18	Senior clerk Licensing	1	0	1
19	Customer care administrator	1	1	0
20	Senior Administrative clerk, housing	1	1	0
	<b>Total</b>	<b>69</b>	<b>65</b>	<b>4</b>

Staff complement in Corporate Services

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Manager: Corporate Services	1	1	0
2	Secretary to the Corporate Services manager	1	1	0
3	Receptionist / Enquiry clerk	1	1	0
4	Records and Archives Clerk	1	1	0
5	Committee Clerk	1	1	0
6	Senior Administrative Clerk, Human Resources	1	1	0
8	2 x Cleaners	2	2	0
9	Patient / Messenger Driver	1	1	0
10	HR Intern	1	1	0
	<b>Total</b>	<b>10</b>	<b>10</b>	<b>0</b>

Staff complement in Community Services

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
1	Manager: Community Services	1	1	0
2	Secretary to Community Services	1	1	0
3	Secretary to the Mayor	1	1	0
4	Human Development Official	1	1	0
5	2 x Youth officers	2	2	0
6	LED official	1	1	0
7	2 x Librarians	2	2	0
8	Tourism manager	1	1	0
9	2x Tourism officers	2	2	0
	<b>Total</b>	<b>12</b>	<b>12</b>	<b>0</b>

Technical staff registered with professional bodies

<b>Technical Service (e.g. water, electricity etc.)</b>	<b>Total number of Technical Service Managers</b>	<b>Total number registered in the accredited professional body</b>	<b>Total number pending registration confirmation in the accredited professional body</b>	<b>Total number not yet registered in the accredited professional body</b>
Water	1	1	0	0
Electricity	1	1	0	2

Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
109	52	23	34

Trends on total personnel expenditure

Financial Years	Total Number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007	65	5 511 132	5 406 336	43.60%
2007-2008	78	7 796 856	7 303 208	44.06%
2008-2009	91	10 432 892	9 332 173	39.44%
2009-2010	100	12742523	12607299	35.96%
2010 - 2011	109	14818962	14486046	36.49%

List of pension and medical aids to whom employees belong (please add if necessary)

Names of pension fund	Number of members	Names of Medical Aids	Number of members
Cape Joint Retirement	12	Bonitas	4
SAMWU	33	Fed Health	1
SALA	32	Key Health	6
Alexander Forbes	1	Samwumed	3
		Discovery	1
		LAMAF	1 x Councillor
			4 x Retired officials
		HOSMED	3 x Employees
			13

Senior officials' wages and benefits (even if not included in the financial statements);

Designation	Annual Remuneration	Performance Bonus	Vehicle Allowance	Other
Municipal Manager	453678		60 000	14 400
Chief Financial Officer	297111		134138	10 800
Manager: Technical Services	396249		35000	10 800
Manager: Community Services	371249		60 000	10800
Manager Corporate Services	356249		75 000	10 800
<b>Total</b>	<b>1874536</b>		<b>364138</b>	<b>52 688</b>

### **Implementation of Performance Management System (PMS)**

The monitoring and implementation of the IDP is done through the Performance Management System. A Framework/Plan for PMS in the Baviaans Municipality was adopted by Council in February 2008

Performance management at the municipality refers to the monitoring of three different levels of performance plans. These levels are as follows:

- (a) Organisational / Institutional Performance: Institutional Performance was done for 2010/11
- (b) Section 57 Managers: Evaluations are done on a quarterly basis with a final evaluation at the end of the financial year (30 June 2008).
- (c) Non-section 57 Employee's (Section 66 employees): During 10/11 evaluations were done for lower level staff.

**The full implementation of the Performance Management System was completed in 09 / 10**

**1.4 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT**

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
<b>1</b>	Vacancy rate for all approved and budgeted posts;	<b>100</b>	<b>99</b>	<b>99%</b>	
<b>2</b>	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	<b>100%</b>			N/a
<b>3</b>	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	<b>100%</b>			
<b>4</b>	Percentage of Managers in Technical Services with a professional qualification	<b>100%</b>			N/a
<b>5</b>	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	<b>N/A</b>			
<b>8</b>	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	<b>100%</b>		<b>100%</b>	N/a
<b>9</b>	Percentage of councillors who attended a skill development training within the current 5 year term	<b>100%</b>			
<b>10</b>	Percentage of staff complement with disability	<b>1%</b>			
<b>11</b>	Percentage of female employees	<b>33%</b>		<b>34</b>	
<b>12</b>	Percentage of employees that are aged 35 or younger	<b>37%</b>		<b>40</b>	

Major challenges and remedial actions with regard to Human Resources and organizational management

CHALLENGES	REMEDIAL ACTIONS	TIME FRAMES	ACTION TAKEN	RESPONSIBLE PERSON
Human Resource Development Plan	Involvement of DPLG to finalise HR plan	2010 /11		
Delegation of authority and responsibilities in compliance with the Municipal Systems Act	Service Provider to be appointed. Delegation of authority will be cascaded down to include councillors, management and senior personnel	2011		
Effective control, monitoring and supervision	Managers will compile a list of all control-matters, the list will form part as a standing item at management meetings			

## **Chapter 2: Basic Service delivery performance highlights (KPA 2)**

### **2.1 WATER SERVICES**

#### *a. Water services delivery strategy and main role-players:*

Baviaans Municipality is the Water Services Authority and the Water Services Provider. There is no bulk water supplier in the Baviaans Municipal area. DWAF, as the government department, does play a role in bulk water supply by regulating the National Water Act, by its own investigations and by providing assistance to local municipalities.

Likewise there is at present no Catchment Management Agency and DWAF fulfils this role until the CMA is established. No abstraction from surface water sources takes place in the WSA area of jurisdiction and abstraction only takes place from underground water. The primary function of the municipality is the delivery of basic services to its community.

#### *b. Levels and standards in water services:*

3325 households have access to a basic level of water supply. All households in the main towns of Willowmore and Steytlerville have access to water. The current water demand is determined by the level of services provided to the consumers. The current level of service provided to consumers in the two main towns Willowmore and Steytlerville are individual metered erf connections to all erven. Water provision to privately owned land (farms, farm dwellers) remains a challenge especially small settlement within the municipal area of jurisdiction.

#### *c. Annual performance as per key performance indicators in water services*

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the FY under review (actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
<b>1</b>	<b>Percentage of households with access to potable water</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100%</b>
<b>2</b>	<b>Percentage of indigent households with access to free basic potable water</b>	<b>100%</b>	<b>0</b>	<b>1998</b>	<b>1998</b>	<b>100%</b>
<b>4</b>	<b>Percentage of clinics with access to potable water</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5</b>	<b>Percentage of schools with access to potable water</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>6</b>	<b>Percentage of households using buckets</b>	<b>1,1%</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>0</b>

*d. Major challenges in water services and remedial actions*

The peak water demand in the hot summer months exceeds the potential bulk water supply capacity of the current water resources for Willowmore and Steytlerville. The peak water demand in the hot summer months for Willowmore and Steytlerville is approximately double that as in the cold winters months and approximately 1.6 times the average annual water demand.

DWAF recommends that a water supply safety factor (1.5 times of peak demand) must be used to ensure water demands are met. Alternative water sources as identified per previous investigations and reports as listed above are as follows:

**Steytlerville Alternative Water Sources**

- Surface Water from Erasmuskloof
- Rainwater Tanks
- Import water from Kouga Dam
- Regional Orange River Project

**Willowmore Alternative Water Sources**

- Rainwater Tanks
- Development of Additional Borehole Scheme for Willowmore
- Water from the Haarlem Dam
- Relocation of existing Water Treatment Works from Wanhoop to Willowmore and Supply of Ground and Surface Water Sources to Willowmore.

It is evident from the above that the lack of funding is the main obstacle in ensuring sustainability and supplying the basic level of service to the community.

## **2.2 ELECTRICITY SERVICES**

*a. Electricity services delivery strategy and main role-players*

The National Electricity Regulator has licensed Baviaans Municipality to distribute and supply electricity to all consumers within the municipal area of Baviaans that includes Willowmore, Steytlerville and Zaaymanshoek. Eskom are supplying directly electricity to the Vuyolwethu area in Steytlerville that consist of 447 households.

*b. Level and standards in electricity services*

3325 households have access to electricity with the exceptions being of houses on private land, certain rural developments and any new housing developments in progress. The majority of the MV and LV reticulation appears to be in good condition. All towns are faced with power dips that occur occasionally.

*c. Annual performance as per key performance indicators in Electricity services*

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	100%	0	0	0	100%
2	Percentage of indigent households with access to basic electricity services	100%	0	0	0	100%
4	Percentage of indigent households with access to free alternative energy sources	0	0	0	0	0

*d. Major challenges in electricity services and remedial actions*

The challenges Baviaans Municipality are facing relating to electricity provision within its jurisdiction are as follow:

Steytlerville

The main 22/11kv step down transformer needs to be upgraded immediately due to overloading.

Damaged pole-top boxes

Broken kiosks

Required clearances between MV and LV lines not being achieved particularly where the lines are sharing the same structure

Due to age and compatibility of existing mini-subs from a safety point of view to replace the mini-subs with new units fitted with SF<sub>6</sub> gas type ring main units to be phased in over a number of years – *phase-in process started*

Willowmore

Sectionalising links

Proper pole numbers replace bundle conductor with bare conductors

## **2.3 SANITATION**

*a. Sanitation services delivery strategy and main role-players*

Maintain and improve the existing level of service to urban communities and ensure environmentally acceptable disposal methods. Baviaans Municipality ensures regular removal of sanitation from houses with septic tanks, removal of sanitation from rural areas and DWA assist with health and hygiene. The Cacadu District Municipality also assist with funding for installation of VIP toilets.

*b. Level and standards in sanitation services*

3325 households have access to sanitation services of which approximately 75 percent is a waterborne level of service and the balance of 25 percent is attributed to other level of services such as septic tanks and ventilated improve pit latrines.

*c. Annual performance as per key performance indicators in sanitation services*

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services	100%	0	0	0	100%
2	Percentage of indigent households with access to free basic sanitation services	100%	0	0	0	100%
4	Percentage of clinics with access to sanitation services	2	2	0	0	0
5	Percentage of schools with access to sanitation services	10	3	0	0	0

*d. Major challenges in sanitation services and remedial actions*

The registration of the WWTW

Training for communities' health and hygiene.

Investment in Green Drop

## **2. 4 ROAD MAINTENANCE**

*a. Road maintenance services delivery strategy and main role-players*

To ensure adequate riding surface, and to maintain reasonable access at all times. Ensure potholes are repaired immediately and gravel roads are maintained regularly.

Level and standards in road maintenance services

The roads in Baviaans Municipality can be classified as follows:

Town	% Tar Town	% Gravel Town	% Tar Township	% Gravel Township
Willowmore	60%	40%	20% and 7% brick paving	65%
Steytlerville	30%	70%	5% and 15 % brick paving	80%
Saaimanshoek	n/a	n/a		100%

Stormwater Management System is one of the major problems in this municipality that requires urgent attention.

c. Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	3325	0	0	0	100%
2	Percentage of road infrastructure requiring upgrade	3325	3325	3325	3308	99%
4	Percentage of planned new road infrastructure actually constructed	3325	25km	5km	3325	100%
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	R5,985	R5,985	R4,358	3325	72,8%

d. Major challenges in road maintenance services and remedial actions

MAJOR CHALLENGE	REMEDIAL ACTION
Baviaans municipality has no storm water master plan	To source funding and appoint a service provider for the stormwater management system

Limited MIG funding to improve the roads	Source funding from CDM and DPLG
Lack of equipment to maintain roads, e.g. grader, water truck, roller, JCB	Request CDM to assist with equipment

## 2.5 WASTE MANAGEMENT

### a. Waste management services delivery strategy and main role-players

Attain and maintain minimum waste management standards in order to protect human health and the environment from possible harmful effects caused by the handling, treatment, storage and disposal of waste. The Baviaans Municipality has adopted the IWMP.

### b. Level and standards in waste management services

The Municipality service 3325 households. The waste service delivery of Baviaans Municipality is co-ordinated from Willowmore. A regular waste removal service is provided to all households and commercial properties within the major towns of the Municipal area, except to households in rural areas. The farming areas in Baviaans Municipality do not receive a waste removal service. The provision of such a service is not at the moment envisaged by the Municipality. There are also no private waste contractors active within the municipal area.

The municipality provides a weekly (2 day per week) waste collection service to all the households (on Mondays and Tuesdays) and commercial properties (on Wednesdays) in Willowmore and Steytlerville.

Street cleaning (litter picking, sweeping, and cleaning of ablution facilities) is done from Mondays to Fridays in the CBD areas of Willowmore and Steytlerville. Baviaans Municipality utilises a black refuse bag system for all the households in the municipal area. Businesses make use of 80 litre plastic bins for the disposal of their refuse. The municipality provides residents with 10 black bags every 2 months while businesses have to buy their own receptacles. The municipality accepts any number of bags or bins per household or business, so there is no specific limit.

### c. Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	3325	0	0	0	100%

### Major challenges in waste management services and remedial actions

MAJOR CHALLENGES	REMEDIAL ACTION
The landfill sites in the municipal area do not have weighbridges and therefore the quantities of waste disposed are not exactly known.	Operational maintenance budget to be included in the cost operational budget. Source funding from other governmental bodies
There are no formal waste minimisation activities taking place in Baviaans Municipality and the municipality is also not offering any recycling incentives to private people or businesses	Municipality to start recycling initiatives
Illegal dumping is common all over the municipal area, and the municipality has to collect this waste at unnecessary cost.	Enforcement of by-law relating to illegal dumping
The municipality has recognises the need for education of people.	Awareness & training programs
No permitted landfill sites.	To permit landfill sites with assistance of CDM, DME

## 2.6 HOUSING AND TOWN PLANNING

### a. Housing and town planning services delivery strategy and main role-players

The Housing services delivery strategy is to supply basic infrastructure to all inhabitants of Baviaans. The Department of human settlement provides the funding and project management for the project.

Provide housing for needy people in Steytlerville and Willowmore. Enhance quality and standards of RDP houses.

The following are the role-players in housing development:

CDM, Provincial Department of human settlement, National Department of human settlement and Baviaans Municipality

### b. Level and standards in Housing and town planning services

#### Housing Analysis

##### Institutional Analysis (Technical Services Department)

Baviaans Organisational set up comprises of 64 positions in the Technical Services Department, which are scattered in Steytlerville, Willowmore ranging from Technical Services manager to general workers. However in terms of addressing housing development programs, the Municipality does not have a Housing Department and/ or an organogram set up for tackling housing issues. Table 1 indicates the organisational set up at the Municipality.

**Table 1: Municipal Capacity for Housing Delivery**

Position	Positions		Comments
	Approved	Filled	
Management	4	4	
Technical & Financial Control	51	51	
Administrative Support	9	9	
Social Facilitation and Support	0	0	
Contracts Implementation & Management	0	0	Delegated staff on housing issues comprises of a senior admin officer a technical manager, building inspector and Assistant Technical manager
<b>Total</b>	<b>64</b>	<b>64</b>	

*Source: Baviaans Municipality, 2009*

In relation to housing delivery programmes the following activities are done in house; Project Inception, Planning and Programming, Beneficiary Identification and PHB Approval, PHB Project and Business Plan Application, Financial Control and Top Structure Construction. Refer to table 10

**Table 2: Capacity to Manage Housing Delivery**

Capacity to Housing Delivery	Resource Availability/Utilisation				
	In-House	Consultants	PIMMS	Contracts	Developers
Project Inception	✓	✓	-	-	✓
Planning & Programming	✓	✓	-	-	-
Engineering design	-	✓	-	-	-
Beneficiary Identification & PHB Approval	✓		-	-	-
PHB Project & Business Plan Application	✓	✓	-	-	-
Financial Control	✓	-	-	-	-
Progress Report	-	✓	-	-	-
Building Construction	-	✓	-	-	-
Services Installation	-	✓	-	-	-

Top Structure Design	-	✓	-	-	-
Top Structure Construction	✓	✓	-	-	-

Source: Baviaans Municipality 2009

The IDP 2007 -2008 cites that the Baviaans Municipality lacks the capacity to discharge its constitutional obligations due to shortage of key personnel and budgetary constraints. It also notes that there is staff shortage in the technical services department.

A poor skill display among contractors is highlighted as a major factor in housing delivery at Baviaans. Contractors are not able to finish projects within the targeted financial year. Delays in projects completion results in increased losses leading to project being left unfinished. Municipalities need to review contracts and implement punitive measures for non-compliance.

### Housing Needs/ Backlog

The current housing backlog at Baviaans Municipality is 763 as per housing waiting list.

Details of the housing waiting list provided by the Baviaans Municipality are summarised as follows:

**Table 3: Housing Needs**

Category	Number
<b>Special Need (disabled):</b>	
Steytlerville RDP houses	72
<b>Income of applicants</b>	
Subsidy Housing< R3 500h/h	87
<b>Housing needed</b>	
New applicants	88
<b>Current Accommodation</b>	
Informal settlement	0
<b>Total</b>	-

**Table 4: Current Housing Projects (Baviaans)**

Project Title	No. of Sites	Project Value (R)	Ward	Project Type	Comments
Steytlerville	503	R14 mil	2		Completed
Willowmore	373	10,095,645.76	3		07 houses to be repaired/snag at a cost of R240000
Willowmore	460		1		Complete
Steytlerville	292		2		complete
Steytlerville	87	3 391 608.00	2		87 houses to be completed, but 51 happy letters
<b>TOTAL</b>	<b>1715</b>	<b>27,487,253.76</b>			

*Source: Baviaans Municipality, 2009*

#### Planned Housing Projects (Order of Priority)

**Table 5: Planned Projects (Short-Term)**

Project Title	No. of Sites	Project Value	Comments
Willowmore	88	3 466 152.00	Contractor to be appointed for civil services
Steytlerville	72	2 806 848.00	Land availability agreement in place, dept of human settlement to appoint consultant for pre-planning phase
<b>TOTAL</b>			

*Source: Baviaans Municipality 2009*

#### Strategic Framework

##### Key Issues

The list below cites the issues identified.

- The Department of Human Settlement centralization of housing delivery programs creates bureaucracy.
- Baviaans Municipality does not have a Housing department within the municipality
- Municipality unable to attract permanent and fully qualified staff

- Difficult to contract experts to deal with housing issues on a short term basis
- Slow disbursement of funds by the PDH creates a rift between the contractors/service providers and the local authorities.
- Inflation levels affecting project implementation.
- Terrain challenges

### Strategies and Projects

#### Institutional Capacity

A housing directorate /unit need to be established. The organogram on Fig 1 presents a full capacity building structure, which will ensure effective execution of housing projects.

Duties:

Contract Manager

- Co-ordinate and implement contracts
- Monitor claims and payments
- Contract arrangements
- Progress reports

Financial Officer

- Claims and payments

Building Inspector

- Quality management
- Co-ordination
- Monitoring

Development Support Officer

- Application for I & E Services
- Geotech
- Services Certificates
- GPs
- Surveys
- Site Plans

#### *c. Annual performance as per key performance indicators in housing and town planning services*

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in	0	0	0	0	0

	informal settlements					
2	Percentage of informal settlements that have been provided with basic services	0	0	0	0	0
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	3325	87	53	53	61%

Note: Number 3 above relates to brick houses in Steytlerville and Down area, which do not conform to minimum building standards for residential houses.

*d. Major challenges in housing and town planning services and remedial actions*

- Creation of a housing organogram with requisite expertise
- Ensure alignment of housing backlog with bulk infrastructure, land and national obligations
- Formulate and implement strategies to meet the demand
- Capacity Building to ensure improved capability and effectiveness to ensure sustainability of the housing unit
- Data capture methods to be revised for comprehensiveness
- An integration of department programs
- Explore other alternatives in disbursement of funds by PDH
- Increase monitoring and control to ensure good quality of houses

## 2.7 SPATIAL PLANNING

*a. Preparation and approval process of SDF:*

The Baviaans Local Municipality has a final Spatial Development Framework, which represents the spatial development goals of the area. In drafting the framework all relevant national legislation, the Province of the Eastern Cape: Spatial Development Plan and the Cacadu District Municipality Spatial Development Framework were considered.

The Baviaans Spatial Development Framework will be implemented by means of land use management package. The Spatial Development Framework states that the current land use management mechanisms in the Baviaans are unable to address the needs of the residents. The SDF are revised when the IDP are revised.

The following strategies and guidelines were developed:

- The Nodal Hierarchy
- Urbanisation
- Human settlements

- Non-Residential Users
- Tourism Policy
- Transport Policy
- Water resources and catchment areas policy
- Environment, conservation and forestry policy
- Agriculture policy
- Housing policy
- Indigent policy
- Areas Based Plan & LAA

*b. Land use management:*

Rezoning-3 applications received for the year:

Sub-division, 3 applications were received

Consent use, no applications were received

Removal of restrictive conditions, no applications were received

Township establishments

*c. Major challenges in spatial planning services and remedial actions*

The lack of adequately trained staff

Ineffective zoning records, specifically for the former Western District Council Area

The public does not have easy access to information

The zoning regulations are outdated and cannot address the developmental needs of the residents

Different zoning schemes apply in different areas

No strategic plan and local plans to promote and guide development

Current land use trends e.g. densification is not addressed holistically.

No internal town planner, Technical services manager deals with Town planning issues with the assistance of CDM. Service level agreement signed between Baviaans Municipality and CDM.

## **2.8 INDIGENT POLICY IMPLEMENTATION**

*a. Preparation and approval process of the indigent policy*

The Indigent Policy is reviewed annually because of the anticipated changes in the economic status of households. This enables the municipality to identify challenges and improvements in the policy. The community is consulted during the IDP / Budget review processes.

*b. Implementation of the policy*

To this extent, the municipality has amended its Indigent Policy to accommodate residents in retirement villages, increased water provision from 6kl to 8kl

## 2.9 OVERALL SERVICE DELIVERY BACKLOGS

Basic service delivery area	30 June 2010			30 June 2011			
	Required	Budgeted	Actual	Required	Budgeted	Actual	Notes
Water backlogs (6KL/month)							
Backlogs to be eliminated (no. HH not receiving the minimum standard service)	0	0	0	0	0	0	
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)	100%	100%	33%	100%	100%	54%	
Spending on new infrastructure to eliminate backlogs (R000) Development of water resources, Erasmuskloof Zaaymanshoek, upgrading of water, new borehole and internal reticulation Drilling 3 x boreholes – Wanhoop  Reservoir – Steytlerville							
Spending on renewal of existing infrastructure to eliminate backlog (R000) Drought relief Extension of Wanhoop, phase2 Generator B2 Budget maintenance, Steytlerville mains and stormwater							
Total spending to eliminate backlogs (R000)							
Spending on maintenance to ensure no new backlogs (R000)							

<b>Basic service delivery area</b>	<b>30 June 2010</b>			<b>30 June 2011</b>			
<b>Electricity backlogs (30KWH/month)</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Notes</b>
Backlogs to be eliminated (no. HH not receiving the minimum standard service)	0	0	0	0	0	0	
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	1585	1585	1200	100%	100%	76%	There was a waiting period on materials due to national strikes
Spending on new infrastructure to eliminate backlogs (R000) New transformer							
Spending on renewal of existing infrastructure to eliminate backlog (R000) Upgrading of sub-station	4,500 000	1616217.90	876978.22				
Total spending to eliminate backlogs (R000)							
Spending on maintenance to ensure no new backlogs (R000)							
<b>Sanitation backlogs</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Required</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Notes</b>
Backlogs to be eliminated (no. HH not receiving the minimum standard service)	0	0	0	0	0	0	
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	100%	100%	64.1%	100%	100%	100%	
Spending on new infrastructure to eliminate backlogs (R000) Steytlerville oxidation ponds	R6,700 R6,700	R6,700 R6,700	R2,408 R2,408	R3,000 R3,000	R3,000 R3,000	R2,838 R2,838	
Spending on renewal of existing infrastructure to eliminate backlog (R000)							

Total spending to eliminate backlogs (R000)	R6,700	R6,700	R2,408	R3,000	R3,000	R2,838	
Spending on maintenance to ensure no new backlogs (R000)				90 990	90 990	90 990	
Road maintenance backlogs	Required	Budgeted	Actual	Required	Budgeted	Actual	Notes
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)				0	0	0	
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)				100%	100%	72.8%	
Spending on new infrastructure to eliminate backlogs (R000)							
Spending on renewal of existing infrastructure to eliminate backlog (R000) Upgrading of streets and stormwater – Baviaans Upgrading of streets and storm water – Willowmore Upgrading of streets and stormwater – Steytlerville	15,000 000 17,000 000			3728487 3170412	3728487 3170412	100% 100%	
Total spending to eliminate backlogs (R000)							
Spending on maintenance to ensure no new backlogs (R000)				250 000	250 000	250 000	
Refuse removal	Required	Budgeted	Actual	Required	Budgeted	Actual	Notes
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	0	0	0	0	0	0	
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	0	0	0	0	0	0	
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0	
Spending on renewal of existing	0	0	0	0	0	0	

infrastructure to eliminate backlog (R000)							
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0	
Spending on maintenance to ensure no new backlogs (R000)				599 938	599 938	599 938	
Housing and town planning	Required	Budgeted	Actual	Required	Budgeted	Actual	Notes
Backlogs to be eliminated (no. HH not receiving the minimum standard service)				297	0	0	Funding application submitted to Dept Housing
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)				14,72%	0	0	
Spending on new infrastructure to eliminate backlogs (R000)				0	0	0	
Spending on renewal of existing infrastructure to eliminate backlog (R000)				0	0	0	
Total spending to eliminate backlogs (R000)				0	0	0	
Spending to ensure no new backlogs (R000)				0	0	0	

## **CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)**

### **3.1 BRIEF PRESENTATION OF LED STRATEGY/PLAN**

During 2008/09 a Service Provider, Africa Inform Management Consulting was appointed by Thina Sinako for the compiling of a LED Strategy for the Baviaans and Ikwezi Municipality's. This LED Strategy Plan was adopted by council on 28 May 2009.

Funds received from DPLG are being utilised for the LED Unit, which was established early during 2010.

This unit has monthly working group meetings with reports to council. The Baviaans Municipality is allocating funds for the execution of the LED Action Plan.

During April 2011, an advertisement was placed for the appointment of an LED official. This employee started work on 01 June 2011. This appointment will have a huge effect on the extension of LED projects in our area.

### **3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES**

#### *a. Improve public and market confidence*

Development has its core activity the management of visitor services and information as well as the image and marketing management of the municipality and the destination. It further provides guidance to the municipality's tourism matters and working in partnership with the relevant tourism stakeholders, local, regional and provincial on strategic economic and tourism issues.

The municipality is committed to youth development and therefore the Baviaans Advice Youth Centre was established. We believe that the youth must be supported and encouraged to be engaged in all educational activities. Our Baviaans Youth Centre is fully effective.

During the 2010/2011 financial year, the following LED related activities took place:

#### Poverty alleviation programmes

Sakha Isizwe programme – 315 x people employed

EPWP – 2518 unemployed people participated in this job creation programme

The junior & senior overseers of the above programme were trained in Leadership & Conflict Management.

#### Arts & Craft Project

Funding was received from the DEDEAT for the development of an Arts & Craft Project, which started during March 2011. A craft shop was built in the Baviaanskloof, which is utilised as outlet for the crafts.

### Training to house holds

A very successful training programme was provided by Old Mutual on the spending of household income. 75 x people attended this training. The programme will continue during the 2011/2012 financial year.

### Project for women

The following training programme started during Februarie 2010 and will continue until November 2011:

- 1 x Day Care Course in Willowmore
- 1 x Life & Hand Skills in Willowmore
- 1 x Life & Hand Skills in Steytlerville
- 1 x Life & Hand Skills in Baviaanskloof

### Upcoming farmers & farm workers

10 x Upcoming farmers attended the yearly Willowmore Agriculture Show, while 100 farm workers received training on various agricultural issues.

### First Aid

30 x people were trained in Level I training.

### SMME

Continuous training is provided to SMME's. The newly appointed LED Official received intensive training to assist SMME's.

*The attached table depicts Baviaans Municipality's LED Action Plan, which provides more information on LED activities.*

## LOCAL ECONOMIC ACTION PLAN: BAVIAANS MUNICIPALITY

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>Time Frame</b>	<b>Comments</b>
<b><u>Area 1</u></b> <b>Institutional development</b>	Effective LED Unit /Forum in the Baviaans	Create LED Unit	High	Establish a LED Unit	IDP 35 (b)	-	M E de Beer	Establish a LED Unit Appoint a LED Manager	Monthly	LED unit established. Have quarterly meetings. Next meeting 8/9/11  LED Manager appointed as from 1 June 2011
	Capacitate all LED staff & council	(i) Capacity workshop for Councillors  (ii) Capacity workshop for LED staff	Medium  High	Organise workshops	IDP 35 (b)	N/a	M E de Beer	Organise capacity Workshops	(i) New  (ii) 14/15 Jul	Khanya Aicdd will facilitate the workshops  (ii) First phase of training done. Next session 1/9/11
	Establish a LED Office in Willowmore with weekly visits to other areas	Develop LED Office	High	Establish office with equipment needed	IDP 35 (b)	R150 000	M E de Beer	Organise equipment for office of LED Mng & SMME support	July 2011	N Barnard was provided with SMME training & training around Local Economic Development Orders issued for computers
	Investigate possibility to establish a local development trust	Do investigation on a development trust	Low	Investigate how to develop a development trust	New	Unfunded	M E de Beer	Do investigation	12/13	Investigate & negotiate with private investors

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>Time Frame</b>	<b>Comments</b>
<b><u>Area 2</u></b> <b><i>General structural problems in the way of effective LED</i></b>	To address problem areas that causes economic development problems	Develop the capacity of residents through more effective education- Effective management of households existing income	High	Training and education of households - Household budget - How to save water	IDP 16	R150 000	J C Maart	Organise quarterly sessions with Old Mutual to involve as many as possible residents in all areas	Aug 2011	Dates received. First training in September 2011
		To create an accessible environment in the Baviaans area	High	1. Accessible Resource Centre	IDP 15 (15(a)	Utilise own internal resources R150 000	J C Maart	3 x Resource Centres: WM, SV & BK – fully equipped On receipt of funds – equip Rietbron's BYAC.	Done Await funds	New equipment need to be bought in certain areas. SV BYAC needs a few new computers.
			Medium	2. Efficient transport system	IDP 93	R36 000	M E de Beer	Meeting with taxi-owners re transport fee & available transport	Done	Make sure that representatives of taxi-associations attend the transport forum meetings
		To have access to cost effective and available municipal services	Medium	Availability of municipal services	Provision of basic infrastructure	Repair & Maintenance budget attached / budget of BM	B Arends/ J Doyle	Repair & Maintenance budget attached / Access to power purchase points	On-Going Service	Repair & maintenance takes place on a continuous basis. Help Desk established – monthly reports to council

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Who	Action	Time Frame	Comments
<b><u>Area 3</u></b> <b><i>Structural problems in focus areas</i></b> <b>a) Agriculture</b>	Create a productive agriculture sector. Look into the problem areas which result to poor economic development in the Baviaans area	1. Availability, capacity and cost of farm labour	Medium	1. Investigate current situation  2(a) Training programme for farm workers (b )& emerging farmers (c) Attendance of special information days for ex  2. Agricultural training for unemployed people	IDP 47  IDP 15/16  IDP 44 f  IDP 46(a)	R0  R10 000  R30 000  R0	M E de Beer  J C Maart  J C Maart  M E de Beer MM/ Arends	Determine cost of farm labour  Organise training for farm workers  Written request to GAC. Await their reply  Done	Out-standing  Done  November 2012  30/11	Invite farmer to next LED Unit meeting to discuss their specific needs. 8 September 2011  SV training done WM outstanding  Buy breeding stock & organise training 7 sessions from BKB & CMW  New negotiations with GAC
		2. Availability and cost of land	High	1. Create a Land & Agri forum  2. Execute AAB & LAA	IDP 12(c)  IDP 12(c)	R0  R0 No funds	M E de Beer MM/ Arends  M E de Beer/CDM Planning Unit	Done  Quarterly meetings	Quarterly	Done. Current problems on commonages must be solved. MM/ML/BA  Done. Council must re-think the purchasing of additional land for upcoming farmers Send letter to CDM on future on this meetings (MM)
		3. Capacity of farmers	Medium	1. Expose farmers to all training programmes	IDP 16 / 44f  IDP 47	R10 000	J C Maart Dept Agric	Training to farmers	Outstanding	Invite farmers to LED unit meetings to identify courses needed.

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>Time Frame</b>	<b>Comments</b>
<b><u>Area 3</u></b>  <b><i>Structural problems in focus areas (continue)</i></b>	Create well-known tourism sector. Look into the problem areas which result to the poor economic development in the Baviaans area	Tourism action plan	High	Execution of tourism action plan	IDP 36	Tourism Budget	J Zaayman	Monthly reports to Council	Monthly	Monthly reports to council
<b><i>b) Tourism</i></b>				1. Quality of products	44(a)	R540 000	J Zaayman	Applied for funds from Dedeia – Funds approved.	A.S.A.P	S Levy Consulting appointed as Service Provider. Project started 1/3/11. See Solly Levy report attached to agenda with budget
<b><i>c) Business</i></b>	Create an effective business sector. Look into the problem areas which result to the poor economic development in the Baviaans area			2 Education & training of the improvement of quality of these products	44(a)	R540 000	J Zaayman	S Levy Consulting appointed as Service Provider. Project started 1/3/11		S Levy Consulting appointed as Service Provider. Project started 1/3/11. See Solly Levy report attached to agenda with budget
				2. Solve problems related to household businesses	IDP 16/44f	R0	N Barnard	Meeting with MM/J Doyle/Bennie	Out-standing	Organise meeting with Bennie & Lucky – discuss training programme
				2. Business skills training for household businesses	44 f	R0	N Barnard	Invite all household businesses to SEDA training	Aug 11	SEDA training will start at end of August 2011.

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>Time Frame</b>	<b>Comments</b>
<b>Area 3</b>  <b>Structural problems in focus areas</b>  <b>c) Business (continue)</b>		3. To address the "lack of capital" problem.	Medium	To assist SMME and businesses to obtain funds from governmental & other departments	35 b	R0	N Barnard	Improve extern support system (ECDC, SEDA)  Organise meeting Improve service from LED Office to all SMME's	On-going	LED Office will be equipped by end August 2011. Alle SMME's will have opportunity to join the programme on SMME's provided by the municipality.  <i>See suggestion on the operation of the SMME Office attached</i>
		4. Manage & support Blue Fire with their programme on development of 3 x SMME's	High	Provide support to:  a) Tailor Made Clothing b) Willowmore Nursery c) Sewefontein Route	IDP 32a	R120 000	N Barnard	Constant monitoring progress on this 3 x projects	6 x months	Project started.  <i>See progress report attached from Blue Fire.</i>
		5. To identify unknown markets	Medium	Investigate products and markets	IDP 35(e)	R0	N Barnard	Investigate for additional markets and products	Done	Through Khanya, a research programme started to identify local markets.
		6. Skills development training  - Internal  - External	High	Training programmes	IDP 16 / 44 f	BM internal training budget  R150 000	M Lotter  J C Maart	Ongoing training for staff members  Get training programmes from NYDA	11/12	Mr Lotter will organise training for staff members.  Await date from NYDA to have meeting with relevant councillors to present their programme.
		7. Development of marketing & business skills	Medium	Marketing of businesses & products to improve income of businesses	IDP 44 f	R150 000	N Barnard	N Barnard must search for service provider – Marketing Skills training	On-going	SEDA provide training courses

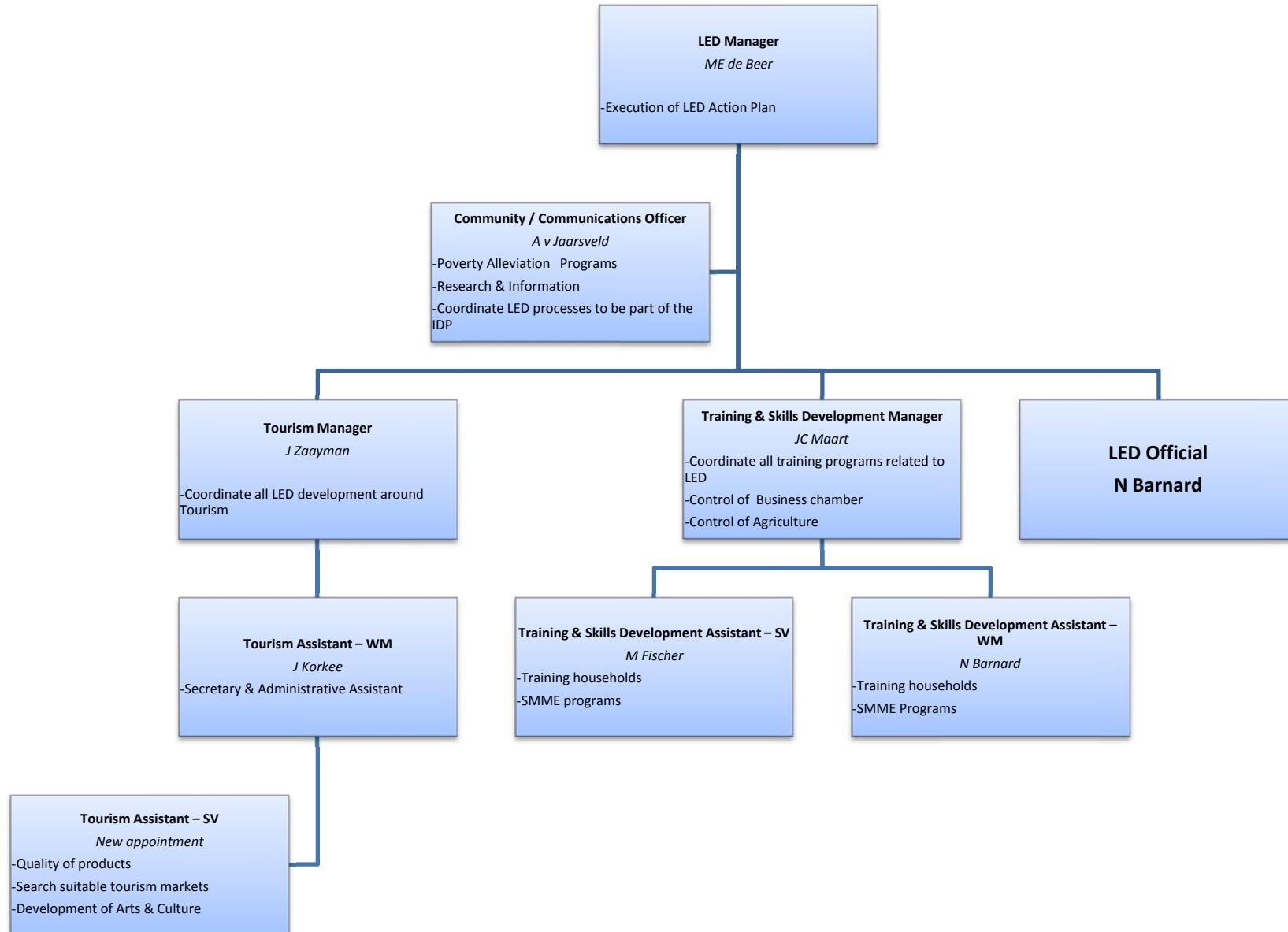
<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>When</b>	<b>Comments</b>
<b>Area 3 Structural problems in focus areas</b>	Create an Arts & Craft sector. Look into the problem areas which result to the poor economic development in the Baviaans area	1. Address the absence of markets	High	Search suitable markets	IDP 44(a)	R540 000	J Zaayman	(i) Service Provider appointed  (ii) Craft Shop (BK)  (iii) Museums	Done  Done  Out-standing	(i) S Levy Consulting appointed as Service Provider. Project started 1/3/11 Reports to council.  (ii) Building completed Opened for business –  (iii) Must lobby for funds to purchase building in SV. No funding to improve WM Museum - Will sent letter to Mr Minnie – before end August 2011
<b>d) Arts &amp; Craft</b>		2. Lack of skills & training	High	Training programmes	IDP 44 f	R540 000	J C Maart/ J Zaayman	Service Provider appointed	Done	S Levy Consulting appointed as Service Provider. Project started 1/3/11
		3. Quality of products	High	Improve quality of products by organizing specialized training.	IDP 44 f	R540 000	J Zaayman	Service Provider appointed	Done	S Levy Consulting appointed as Service Provider. Project started 1/3/11

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Who</b>	<b>Action</b>	<b>When</b>	<b>Comments</b>
<b>Area 4</b>  <b>Development of focus areas</b>	1. Development of <b>tourism</b> sector to improve contribution to local economic development	Develop tourism for efficient local economic development	High	Execution of Tourism Action Plan	IDP 36 Tourism Action Plan	Tourism budget	J Zaayman	Monthly reports to council	Monthly	Monthly reports to council
	2. Development of <b>agricultural</b> sector to improve contribution to local economic development	Develop agriculture for efficient local economic development	High	Promote and develop formal and informal farmers	IDP 45(a)	R0	Dept Agriculture	Dept Agriculture	Unknown	Dept Agric responsible
				1. Promote Soil Conservation						
				2. Management plan for commonages	IDP 12 k	R0	Agriculture-SV Agriculture WM TSM	M Lotter/B Arends	Plan adopted	MM busy with attorney with problems on the WM commonage
				3. Promotion of mohair	New	R0	S A Mohair Association	J Zaayman	11/12 New	C Henderson started with investigation
				4. Efficient use of land tax	IDP 5	R0	CFO/Farmers	J Doyle	Yearly	Project implemented
				5. Sustainable transformation (Land & Agri Forum)	IDP 12(c)	R0 – No funds	M E de Beer/CDM	M E de Beer	Quarterly Meetings with CDM	Suggestion from Unit to buy more agric property. Funding a problem
	3. Development of <b>business</b> sector to improve contribution to local economic development	Develop business for efficient local economic development	Medium	1. To establish organized business chamber : WM & SV	IDP 35 a	R0	J C Maart/ M E de Beer	Liaise with business owners	11/12	Invite business owners to LED Unit meetings. Organise info event with mayor
				2. Support SMME's by local programmes and marketing	IDP 32a	R300 000	N Barnard/M Fischer	SMME's are invited to training and marketing programmes	Ongoing	SEDA visit Baviaans to assist SMME's on a monthly basis- ongoing training New LED Office to give assistance
				3. Programme on "Buy local"	IDP35 (e)	R0	J C Maart/M E de Beer	Programme to educate residents to buy from their local suppliers	11/12	New venture – Do with assistance of Khanya

<b>Focus Area</b>	<b>Objective</b>	<b>Activity</b>	<b>Priority</b>	<b>Target</b>	<b>Project</b>	<b>Budget</b>	<b>Responsible Person</b>	<b>Action</b>	<b>When</b>	<b>Comments</b>
<b>Area 4</b> <b>Development of focus areas</b> <b>Arts &amp; Crafts</b>	Development of <b>arts &amp; craft</b> sector to improve contribution to local economic development	Develop arts culture for efficient local economic development	High	Support arts & culture: skills, quality of products, and marketing	IDP 44(a)	R540 000 Own funds – R50 000	J Zaayman	Service Provider appointed	Done	S Levy Consulting started with one year training programme
	Development of <b>construction</b> sector to improve contribution to local economic development	Develop construction for efficient local economic development	High	Support construction sector: skills, quality of products, and marketing	IDP 44(a)	R0	J C Maart Dept of Works EPWP	Ongoing training	Ongoing	Training for suppliers on 17/8/2011 in Willowmore. Dept Roads. Suppliers from Rietbron, Steytlerville en Baviaanskloof included.
<b>Area 5</b> <b>Poverty alleviation programme</b>	Implement poverty alleviation programmes for contribution to local economic development	To effectively implement programmes	High	To implement programmes such as:  Sakha Isizwe Opportunities for casual workers EPWP	IDP 20(a)	R922 000	Dept R & T	M E de Beer / J Zaayman	Aug 2011	Sakha Isizwe programme in place.  EPWP will start on 8/8/2011 until 30/6/2012.

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Responsible Person	Action	When	Comments
<b>Area 6</b>  <b>Research and information</b>	Gather statistical information for an effective local economic development	Provide as much info as possible to communities	High	1. Collection of stats		35(b)	A van Jaarsveld	Develop a data bank	Ongoing	Keep database updated with new info. Khanya will assist with all info gathered.
	2. Info on funding of projects			R0		Assist where funding is needed	09/10	SEDA visit Baviaans to assist SMME's on a monthly basis.		
	3. Research & information on employment opportunities within pendal distance			R0		Research on more local projects to provide more job opportunities	03/11	Khanya busy with research		
	4. Website updated Labour Buro			R0		Anja / Get Labour Buro in place.	Ongoing	Keep collecting info. Ongoing process to add trained people to website.		
	Obtain as much info as possible	Low		Money flowing in through :  - Tourism - Agriculture - Government Org.		R0	A van Jaarsveld	Get info from all possible sources	Ongoing	New venture

Focus Area	Objective	Activity	Priority	Target	Project	Budget	Responsible Person	Action	When	Comments
<b>Area 7</b>  <b>LED Project in Steytlerville</b>	Develop a sustainable project	Organise meeting on the way forward	High	Spent allocated money and start project	Brickmaking project	R750 000	CS	Organise meeting	Sept 2011	Get all role-players together on the way forward
<b>LED project in Rietbron</b>	Develop a pellet factory in Rietbron CM	Pellet Factory	High	BM to take over this project from CDM	Pellet Factory	R1.4 m	CS Nicky	Keep updates with Duma on progress		Supported and endorsed by CDM council  PSC established 1/7/11 meeting to sign contract with Admin Mng, Project Manager & mentor.  See LED minutes attached



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### **3.3 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED**

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	620 000	570 000	92%
2	Number of LED unit meetings	6	6	6
3	Percentage of SMME that have benefited from a SMME support program	24	24	All registered
4	Number of job opportunities created through EPWP	3578	3578	100%
5	Number of job opportunities created through Sakha Isizwe	315	315	100%

### **3.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION**

During 2010/11 funding was received. The only challenge was the absence of a dedicated LED official, which was appointed on 01 June 2011.

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## **Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)**

### **4.1 THE FINANCIAL STATEMENTS**

<b>Legal form of entity</b>	Local Authority
<b>Mayoral committee</b>	
Executive Mayor	EL Loock
Councillors	D Bezuidenhout J Booysen P Daniels C Krisjan
<b>Grading of local authority</b>	Grade 1
<b>Accounting Officer</b>	JZA Vumazonke
<b>Chief Finance Officer (CFO)</b>	JD Doyle
<b>Registered office</b>	42 Wehmeyer Street Willowmore 6445
<b>Business address</b>	42 Wehmeyer Street Willowmore 6445
<b>Bankers</b>	ABSA Bank Willowmore
<b>Auditors</b>	Auditor-General: Eastern Cape
<b>Attorneys</b>	Steyn and Van der Vyver Willowmore

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Index

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The reports and statements set out below comprise the annual financial statements presented to the council:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Accounting Policies	11 - 31
Notes to the Annual Financial Statements	32 - 61
Appendixes:	
Appendix A: Schedule of External loans	62
Appendix B: Analysis of Property, Plant and Equipment	63
Appendix C: Actual versus Budget (Revenue and Expenditure)	64
Appendix D: Actual versus Budget (Acquisition of Property, Plant and Equipment)	65
Appendix E: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	66

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the prescripts of the Municipal Finance Management Act.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

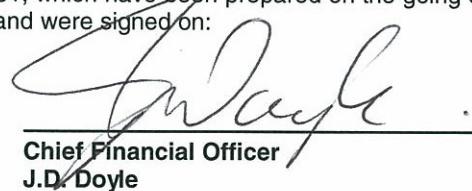
The accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on:



Municipal Manager  
J.Z.A. Vumazonke



Chief Financial Officer  
J.D. Doyle

Willowmore

31 August 2011

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2011.

### **1. Review of activities**

#### **Legal form of entity**

Baviaans Local Municipality is low capacity municipality and delivers basic services such as water, electricity and refuse removal services to the Willowmore, Steytlerville and Rietbron region.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and does not in our opinion require any further comment.

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### **4. Accounting policies**

The annual financial statements prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Non-current assets**

Details of major changes in the nature of the non-current assets of the municipality during the year were as follows:

Fixed assets were recognised in accordance with GRAP17: Property, plant and equipment and the transitional provisions of Directive 4.

### **6. Auditors**

Auditor-General: Eastern Cape will continue in office for the next financial period.

### **7. Relevant legislation governing the entity's operations**

- 1.) Constitution of South Africa 1993
- 2.) Municipal Finance Management Act No.56 of 2003
- 3.) Property Rates Act No. 6 of 2003
- 4.) Division of Revenue Act No. 12 of 2009
- 5.) Municipal Fiscal Powers and Functions Act No. 12 of 2007
- 6.) Municipal Systems Act No. 32 of 2000
- 7.) Municipal Structures Act No. 33 of 2000
- 8.) Municipal Demarcation Act No. 27 of 1998
- 9.) Value Added Tax Act No. 89 of 1991
- 10.) Income Tax Act No.58 of 1962

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Statement of Financial Position**

	Note(s)	2011 R	2010 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	19,723	13,271
Other financial assets	4	5,810	7,294,696
Trade and other receivables from exchange transactions	5	194,673	463,279
VAT receivable from non-exchange transactions	6	2,936,919	1,339,394
Consumer payables from exchange transactions	7	2,970,167	2,546,342
Cash and cash equivalents	8	-	193,465
		<b>6,127,292</b>	<b>11,850,447</b>
<b>Non-Current Assets</b>			
Investment property	9	10,155	10,155
Property, plant and equipment	10	37,739,376	25,896,711
Intangible assets	11	466,343	466,343
		<b>38,215,874</b>	<b>26,373,209</b>
<b>Total Assets</b>		<b>44,343,166</b>	<b>38,223,656</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	-	6,707
Finance lease obligation	13	696,106	539,771
Trade and other payables from exchange transactions	14	9,848,142	5,794,311
Consumer deposits	15	137,165	132,545
Unspent conditional grants and receipts	16	3,219,697	6,632,164
Provisions	17	423,128	262,744
Bank overdraft	8	289,375	-
		<b>14,613,613</b>	<b>13,368,242</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	1,162,597	1,403,043
<b>Total Liabilities</b>		<b>15,776,210</b>	<b>14,771,285</b>
<b>Net Assets</b>		<b>28,566,956</b>	<b>23,452,371</b>
<b>Net Assets</b>			
Accumulated surplus		28,566,956	23,452,371

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

	Note(s)	2011 R	2010 R
<b>Revenue</b>			
Property rates		2,955,267	2,383,026
Service charges		7,724,389	6,646,646
Rental of facilities and equipment	24	64,756	97,330
Interest received (Outstanding debtors)		350,502	344,608
Income from agency services		256,610	765,616
Fines		11,750	14,410
Licences and permits		518,028	387,123
Government grants & subsidies	25	26,339,953	25,672,786
Adjustment to trade and other payables		4,199,554	-
Other income	26	2,061,493	623,339
Interest received - investment	27	325,177	965,944
<b>Total Revenue</b>		<b>44,807,479</b>	<b>37,900,828</b>
<b>Expenditure</b>			
Personnel	28	(14,486,046)	(11,674,479)
Remuneration of councillors	29	(1,042,232)	(886,073)
Transfer payments		-	(16,380)
Finance costs	30	(524,687)	(273,779)
Allowance for bad debt	31	(883,862)	(579,705)
Repairs and maintenance		(2,747,700)	(2,688,092)
Bulk purchases		(5,530,556)	(4,016,783)
General expenses	32	(14,477,814)	(13,881,070)
<b>Total Expenditure</b>		<b>(39,692,897)</b>	<b>(34,016,361)</b>
Gain on disposal of assets and liabilities		-	39,423
<b>Surplus for the year</b>		<b>5,114,582</b>	<b>3,923,890</b>

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

### Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	19,356,580	19,356,580
Adjustments		
Prior year adjustments	171,901	171,901
<b>Balance at 01 July 2009 as restated</b>	<b>19,528,481</b>	<b>19,528,481</b>
Changes in net assets		
Surplus for the year	3,923,890	3,923,890
Total changes	3,923,890	3,923,890
<b>Balance at 01 July 2010</b>	<b>23,452,374</b>	<b>23,452,374</b>
Changes in net assets		
Surplus for the year	5,114,582	5,114,582
Total changes	5,114,582	5,114,582
<b>Balance at 30 June 2011</b>	<b>28,566,956</b>	<b>28,566,956</b>
Note(s)		

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

	Note(s)	2011 R	2010 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		39,025,261	28,989,147
Interest income		325,177	965,944
Interest received from receivables		350,502	344,608
		<u>39,700,940</u>	<u>30,299,699</u>
<b>Payments</b>			
Suppliers		(35,014,496)	(33,897,670)
Finance costs		(218,752)	(22,747)
		<u>(35,233,248)</u>	<u>(33,920,417)</u>
<b>Net cash flows from operating activities</b>	34	<b>4,467,692</b>	<b>(3,620,718)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(11,842,665)	(8,520,322)
Proceeds from sale of property, plant and equipment	10	-	39,423
Purchase of investment property	9	-	(7,000)
Proceeds from sale of investment property	9	-	2,150
Purchase of other intangible assets	11	-	(436,008)
Proceeds from sale of financial assets		7,288,886	11,170,212
<b>Net cash flows from investing activities</b>		<b>(4,553,779)</b>	<b>2,248,455</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(6,707)	(95,214)
Finance lease payments		(390,046)	437,566
<b>Net cash flows from financing activities</b>		<b>(396,753)</b>	<b>342,352</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(482,840)</b>	<b>(1,029,911)</b>
Cash and cash equivalents at the beginning of the year		193,465	1,223,376
<b>Cash and cash equivalents at the end of the year</b>	8	<b>(289,375)</b>	<b>193,465</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent to these techniques are certain uncertainties like time of cash flows and interest rates used for discounting.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

##### Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

The municipality uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 and GRAP 16 - Investment Property of the as issued by the Accounting Standards Board.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 9. The transitional provision expires on 30 June 2012.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

In accordance with the transitional provision as per Directive 4 as issued by the Accounting Standards Board, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the

## Accounting Policies

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### 1.2 Investment property (continued)

Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in note 9.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment, which are expected to be used for more than one period, are included in property, plant and equipment. In addition, spare parts and stand by equipment, which can only be used in connection with an item of property, plant, and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial recognition property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated as it is deemed to have an indefinite useful life.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

Where the municipality replaces parts of an asset it derecognises the part of the asset being replaced and capitalises the

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Motor vehicles are depreciated on a pro rata basis calculated on the basis of kilometres travelled annually as a proportion of the expected useful life of the vehicle.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

### Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 and GRAP 17 - Property Plant as issued by the Accounting Standard Board.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The municipality recognised property, plant and equipment acquired before 01 July 2008 at a zero value. Subsequently no depreciation was recognised for these assets. These assets will be measured in accordance with GRAP 17 - Property, plant and equipment by the end of the expiry date of the transitional provisions of Directive 4. The municipality recognised property, plant and equipment acquired after 01 July 2008 at its cost price. These items will be measured in accordance with GRAP 17 - Property, plant and equipment by the end of the expiry date of the transitional provisions of Directive 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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- Segment Reporting (GRAP 18),

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

### 1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial recognition Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.4 Intangible assets (continued)

impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of amortisation) had no impairment been recognised in prior years.

An intangible asset is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

### Transitional provision

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 11. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standard Board, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 11.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

### 1.5 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

Financial instruments are recognised initially when the municipality becomes party to the contractual provisions.

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Financial instruments (continued)

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The credit quality of a financial asset or group of financial assets that is neither past due nor impaired is assessed / monitored by reference to historical information about counterparty default rates. The following are the criteria and indicators that are applied to assess whether or not the financial asset or group of financial assets may be impaired:

- \* counterparty has evidenced a trend of defaults that indicates that the recoverability of the outstanding balance of the financial asset or group of financial assets is doubtful; and
- \* financial difficulties identified from an analysis of the counterparty's financial position that would indicate that the recoverability of the outstanding balance of financial asset or group of financial assets is doubtful.

Impairment losses are recognised in surplus or deficit.

#### Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Financial instruments (continued)

asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Trade and other payables

Financial liabilities consist of trade payables and borrowings. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as loans and receivables.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Derecognition

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the entity:

- \* lease transfers ownership of the asset to the lessee by the end to the lease term;
- \* the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- \* the lease term is for the major part of the economic life of the asset even if title is not transferred;
- \* at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- \* the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- \* if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- \* gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and the
- \* lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straight line lease expense.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

basis.

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.6 Leases (continued)

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset / liability is not discounted.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straight line lease expense.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement costs and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2012.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.7 Inventories (continued)

Until such time as the measurement period expires and inventories are recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

### 1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. Non cash-generating assets are assets other than cash generating assets.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

#### Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

#### Recognition and measurement (cash-generating units)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.8 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

GRAP 21.14 states:

"In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return [i.e. not clear if the asset meets the definition of a cash-generating asset]. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash inflows is so significant that this Standard [GRAP 21] is applicable rather than the Standard of GRAP on Impairment of Cash-generating Assets [GRAP 26]. Judgement is needed to determine which Standard to apply [consequently an entity needs to distinguish between non-cash-generating and cash-generating assets]. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of cash-generating assets and non-cash-generating assets with the related guidance in paragraphs .10 to .13. Paragraph .72 requires an entity to disclose the criteria used in making this judgement. However, given the overall objectives of most entities, the presumption is that assets are non-cash-generating and, therefore, this Standard will apply [therefore implying that most entities will only have non-cash-generating assets, therefore no judgement will be required to determine which standard will be applicable – also refer to GRAP 26.15 which is a further testament of this]."

Note that GRAP 26 paragraph 15 is in principle exactly the same as above, therefore it was not included.

From above the following is apparent:

- The judgement that the standard refers to, is in a case where the entity is uncertain whether the asset is used for commercial purposes or not and then the standard requires an entity to evaluate the significance of cash flows generated by the asset, and it is at this point where it may be difficult to determine whether GRAP 21 or GRAP 26 is applicable. (If the asset generated insignificant cash flows from other assets, it will be accounted for under GRAP 21 and not GRAP 26)
- As a result of such judgement to be made by management to determine which standard to use, the criteria used in making the judgement needs to be disclosed in the entity's accounting policy (as required by par. 72 of GRAP 21 and 115 of GRAP 26).
- Therefore if an entity only has non-cash-generating assets and consequently only applies GRAP 21, there is no need to disclose any criteria as there is no uncertainty as to whether the asset is a non-cash-generating asset or a cash-generating asset.
- The same applies if the entity do have a cash-generating asset (the asset does not operate and generate cash flows independently from other assets nor does it form part of a group of assets that generates cash flows independently from other assets, otherwise the asset would have automatically be accounted for under GRAP 26

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Accounting Policies**

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already). And there was no difficulty in evaluating the significance of cash flows generated by the asset, therefore there is no uncertainty as to whether the asset is a non-cash-generating asset or a cash-generating asset.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

If the entity has assets for which it is not clear whether the primary objective of the assets is to generate a commercial return and/or it is difficult to evaluate the significance of cash flows generated by the assets, the following can be used. This can aid management in developing the specific criteria to be used in exercising its judgement (the definition of cash-generating assets and non-cash-generating assets and the related guidance in paragraphs .10 to .13):

- definition of a cash-generating asset and a non-cash-generating asset (therefore identifying the primary objective for which the asset is held)
  - if the primary objective is to generate a commercial return, it is usually a cash-generating asset
  - if the primary objective is to provide service delivery, it is usually a non-cash-generating asset
- where it is established that the asset is held primarily to generate a commercial return, does the asset operate independently from other assets, if so:
  - does the asset generate cash flows independently from other assets, if the answer is yes for both, it is usually a cash-generating asset
- where it is established that the asset is held primarily to generate a commercial return, but the asset does not operate independently from other assets and/or generate cash flows independently from other assets, if so:
  - does the asset form part of a group of assets and the group generates cash flows independently from other assets, if yes, it is usually a cash-generating asset, if not:
  - evaluate the significance of cash flows generated by the asset in a group of assets, if significant, it is treated as a cash-generating asset (under GRAP 26), if insignificant, it is treated a non-cash-generating asset (under GRAP 21).

In conclusion:

The entity need not disclose criteria it used in distinguishing cash-generating assets from non-cash-generating assets, unless it is not clear whether the primary objective of the assets is to generate a commercial return and/or it is difficult to evaluate the significance of cash flows generated by the assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approaches:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Employee benefits (continued)

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately, are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are recognised as per notes .

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Accounting Policies

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### 1.12 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

### 1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public

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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions (continued)

prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

### Licenses and permits

Licenses and permits are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow of economic benefits or service potential. Revenue is then only recognised once evidence of the probability of the flow of economic benefits or service potential becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of or that is not in accordance with:

- (a) a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- (b) a requirement of the Municipal System Act (Act No. 32 of 2000), and which has not been condoned in terms of this Act; or
- (c) a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If the liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.22 Related Parties**

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government, as a consequence of the constitutional independence of the three spheres of government in South Africa.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Executive Mayor, Municipal Manager and Council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered 'at arm's-length' and 'in the ordinary course of business' are not disclosed in accordance with IPSAS 20 'Related Party Disclosures'.

### **1.23 Budget information**

Comparison of budget and actual amounts are presented in a separate additional annexure: Statement of Comparison of Budget and Actual Amounts.

The entity only presents the final budget amounts.

Differences (variances) between the actual amounts and budget amounts are presented.

The financial statements and budget are not presented on the same basis as the financial statements are prepared on accrual basis and the budget on cash basis of accounting. A comparison of budget and actual amounts is presented in the statement of comparison of budget and actual amounts. A reconciliation between the surplus/(deficit) for the period as per Statement of Financial Performance and budgeted surplus/(deficit) is included in the Statement of Comparison of Budget and Actual Amounts.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and standards that have been issued but are not yet effective but that are relevant to its operations:

##### **GRAP 18: Segment Reporting**

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The impact of this standard is currently being assessed.

##### **GRAP 23: Revenue from Non-exchange Transactions**

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 January 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 103: Heritage Assets**

GRAP 103 defines heritage assets as assets, which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

##### **IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue**

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Certificate by Secretary**

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### **2. New standards and interpretations (continued)**

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

#### **GRAP 21: Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 26: Impairment of cash-generating assets**

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided a service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The entity expects to adopt the standard for the first time it becomes effective.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Certificate by Secretary

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### 2. New standards and interpretations (continued)

#### **GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The entity expects to adopt the interpretations for the first time once it becomes effective.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

#### **GRAP 20: Related Party Disclosures**

New standard of GRAP: To ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the entity's annual financial statements

#### **GRAP 105: Transfer of Functions Between Entities Under Common Control**

The new standard of GRAP: Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance

The entity expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### **GRAP 106: Transfer of Functions Between Entities Not Under Common Control**

The new standard of GRAP: Establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance

The entity expects to adopt the standard for the first time once it becomes effective.

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Certificate by Secretary**

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It is unlikely that the standard will have a material impact on the entity's annual financial statements.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Certificate by Secretary

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### 2. New standards and interpretations (continued)

#### **GRAP 107: Mergers**

The new standard of GRAP: Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance

The entity expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### **Improvements to the Standards of GRAP**

Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project.

The effective date for the standard is for the years beginning on or after 01 April 2011.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendments will have a material impact on the entity's annual financial statements.

#### **Interpretations to the Standards of GRAP**

The followings standards of GRAP are affected by the Interpretations issued: GRAP 2-10 and 13-15

The effective date for the standard is for the years beginning on or after 01 April 2011.

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendments will have a material impact on the entity's annual financial statements..

#### **IGRAP Standards Issued But Not Yet Effective**

- IGRAP 2 – Changes in Existing Decommissioning, Restoration and similar Liabilities;
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease;
- IGRAP 4 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IGRAP 5 – Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies;
- IGRAP 6 – Loyalty Programmes;
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction;
- IGRAP 8 – Agreements for the Construction of Assets from Exchange Transactions;
- IGRAP 9 - Distributions of Non cash Assets to Owners;
- IGRAP 10 – Assets Received from Customers;
- IGRAP 13 – Operating Leases – Incentives
- IGRAP 14 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease;
- IGRAP 15 – Revenue – Barter Transactions Involving Advertising Services;

The effective date for the standard is for the years beginning on or after 01 April 2011.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>3. Inventories</b>		
Water		
<u>19,723</u>		
<b>Inventory pledged as security</b>		
No inventory was pledged as security for financing facilities of the municipality.		
<b>Transitional provisions</b>		
<b>Inventories recognised at provisional amounts</b>		
In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.7, certain inventories with a carrying value of R 19,723 (2010: R 13,271) were recognised at provisional amounts.		
<b>4. Other financial assets</b>		
<b>Held to maturity</b>		
Short term fixed deposits	5,810	7,294,696
This represents monies invested with ABSA and Standard Bank, which mature at various future dates and returns.		
<hr/>		
<b>Current assets</b>		
Held to maturity	<u>5,810</u>	<u>7,294,696</u>
<hr/>		
<b>Fair value information</b>		
Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.		
<b>Renegotiated terms</b>		
None of the financial assets that are fully performing have been renegotiated in the last year.		
<b>Short term deposits</b>		
Standard Bank - 288875729	5,810	814,519
ABSA Bank - 4061808429	-	204,950
ABSA Bank - 2067964441	-	2,128,359
ABSA Bank - 2069012985	-	476,069
ABSA Bank - 2069285530	-	103,669
ABSA Bank - 206976275	-	326,090
ABSA Bank - 2069951670	-	891,039
ABSA Bank - 2070392879	-	2,350,000

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Notes to the Annual Financial Statements**

The investments are 32 day fixed deposits and bears interest at rates of 2% to 8% per annum.	2011 R	2010 R
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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 4. Other financial assets (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above. The municipality does not hold any collateral as security.

#### Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

For held to maturity financial assets, the maximum exposure to credit risk at the reporting date is the carrying amount.

### 5. Trade and other receivables from exchange transactions

Trade debtors	147,788	147,374
Sundry debtors	50,808	50,901
Cacadu claims	(13,323)	255,971
Prepaid expenses	9,400	9,033
	<hr/> <b>194,673</b>	<hr/> <b>463,279</b>

#### Trade and other receivables pledged as security

No trade and other receivables were pledged as security for overdraft facilities.

#### Credit quality of trade and other receivables

All of the municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, identified group, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed. The municipality's policy is to deal only with creditworthy consumers.

#### Trade and other receivables past due but not impaired

There were no trade and other receivables past due but not impaired

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipality does not hold any collateral as security.

### 6. VAT receivable

VAT	<hr/> <b>2,936,919</b>	<hr/> <b>1,339,394</b>
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VAT is payable on the receipt basis and is paid over to SARS only once payment is received from debtors.

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>7. Consumer payables</b>		
<b>Gross balances</b>		
Rates	935,746	1,178,338
Electricity	650,596	616,172
Water	1,033,793	1,716,943
Sewerage	475,337	647,554
Refuse	634,176	892,397
Other (rental of venues etc.)	141,930	147,835
	<b>3,871,578</b>	<b>5,199,239</b>
<b>Less: Provision for debt impairment</b>		
Provision for impairment of assets	(901,411)	(2,652,897)
<b>Net balance</b>		
Rates	935,746	1,178,338
Electricity	650,596	616,172
Water	1,033,793	1,716,943
Sewerage	475,337	647,554
Refuse	634,176	892,397
Other (including provision for doubtful debts)	(759,481)	(2,505,062)
	<b>2,970,167</b>	<b>2,546,342</b>
<b>Rates</b>		
Current (0 -30 days)	39,848	48,403
31 - 60 days	27,503	19,032
61 - 90 days	30,382	17,013
91 - 120 days	21,899	12,266
121 - 365 days	816,114	1,081,624
	<b>935,746</b>	<b>1,178,338</b>
<b>Electricity</b>		
Current (0 -30 days)	149,886	165,167
31 - 60 days	72,997	58,127
61 - 90 days	67,719	56,204
91 - 120 days	32,309	40,058
121 - 365 days	327,685	296,616
	<b>650,596</b>	<b>616,172</b>
<b>Water</b>		
Current (0 -30 days)	77,855	209,831
31 - 60 days	66,613	77,744
61 - 90 days	64,185	94,634
91 - 120 days	37,394	82,987
121 - 365 days	787,746	1,251,747
	<b>1,033,793</b>	<b>1,716,943</b>
<b>Sewerage</b>		
Current (0 -30 days)	35,353	47,855
31 - 60 days	21,958	30,187
61 - 90 days	18,512	32,077
91 - 120 days	12,233	30,358
121 - 365 days	387,281	507,077

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Notes to the Annual Financial Statements**

	2011 R	2010 R
	<u>475,337</u>	<u>647,554</u>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>7. Consumer payables (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	37,924	69,268
31 - 60 days	23,572	42,105
61 - 90 days	19,379	41,714
91 - 120 days	17,430	40,917
121 - 365 days	535,871	698,393
	<b>634,176</b>	<b>892,397</b>
<b>Other (specify)</b>		
Current (0 -30 days)	(31,143)	(67,279)
31 - 60 days	1,641	3,206
61 - 90 days	8,650	1,140
91 - 120 days	601	1,065
121 - 365 days	162,181	289,818
Impairment	(901,411)	(2,733,012)
	<b>(759,481)</b>	<b>(2,505,062)</b>
<b>Summary of debtors by customer classification</b>		
<b>Domestic</b>		
Current (0 -30 days)	231,372	235,379
31 - 60 days	123,110	151,395
61 - 90 days	98,712	167,109
91 - 120 days	79,773	158,158
121 - 365 days	2,674,495	3,959,157
	<b>3,207,462</b>	<b>4,671,198</b>
Less: Provision for debt impairment	(894,205)	(2,645,729)
	<b>2,313,257</b>	<b>2,025,469</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	54,339	57,401
31 - 60 days	11,337	8,067
61 - 90 days	1,290	1,863
91 - 120 days	919	1,200
121 - 365 days	76,695	19,355
	<b>144,580</b>	<b>87,886</b>
Less: Provision for debt impairment	(1,422)	(687)
	<b>143,158</b>	<b>87,199</b>
<b>National and provincial government</b>		
Current (0 -30 days)	111,298	165,993
31 - 60 days	82,720	70,940
61 - 90 days	40,513	73,810
91 - 120 days	41,958	48,294
121 - 365 days	242,991	81,044
	<b>519,480</b>	<b>440,081</b>
Less: Provision for debt impairment	(5,784)	(6,481)
	<b>513,696</b>	<b>433,600</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>7. Consumer payables (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	397,010	458,773
31 - 60 days	217,167	230,401
61 - 90 days	140,515	242,783
91 - 120 days	122,650	207,652
121 - 365 days	2,994,181	4,059,630
	<hr/>	<hr/>
Less: Provision for debt impairment	3,871,523	5,199,239
	(901,411)	(2,652,897)
	<hr/>	<hr/>
	<b>2,970,167</b>	<b>2,546,342</b>
<b>Less: Provision for debt impairment</b>		
<b>Total</b>	<hr/>	<hr/>
	(901,411)	(2,652,897)
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	336,496	433,736
31 - 60 days	159,691	198,975
61 - 90 days	80,001	184,190
91 - 120 days	68,085	167,021
121 - 365 days	322,618	1,643,755
	<hr/>	<hr/>
	<b>966,891</b>	<b>2,627,677</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(2,652,897)	(3,100,020)
Reversal of provision	1,751,486	447,123
	<hr/>	<hr/>
	<b>(901,411)</b>	<b>(2,652,897)</b>

### Consumer debtors pledged as security

No consumer debtors were pledged as security for the liabilities of the municipality.

### Credit quality of consumer debtors

All of the municipality's consumer debtors have been reviewed for indicators of impairment. The municipality's management considers that all of the above consumer debtors that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed.

None of the financial assets that are fully performing have been renegotiated in the last year.

### Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

currently due	336,496	433,736
1 month past due	159,691	198,975
2 months past due	470,704	1,994,966

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above. The municipality does not hold any collateral as security.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	-	193,465
Bank overdraft	(289,375)	-
	<b>(289,375)</b>	<b>193,465</b>
Current assets	-	193,465
Current liabilities	(289,375)	-
	<b>(289,375)</b>	<b>193,465</b>

### Credit quality of cash at bank

The credit quality of cash at bank excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality did not default on any of its payments due to ABSA or Standard Bank.

The municipality does not have a overdraft facility at either ABSA or Standard Bank. The bank overdraft as shown in annual financial statements is due to reconciling items on the bank reconciliation.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Cheque (4053623514)	161,330	432,047	898,696	(379,495)	107,494	1,182,400
STANDARD BANK - Cheque - (280252013)	90,120	85,971	178,204	90,120	85,971	178,204
<b>Total</b>	<b>251,450</b>	<b>518,018</b>	<b>1,076,900</b>	<b>(289,375)</b>	<b>193,465</b>	<b>1,360,604</b>

### 9. Investment property

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	10,155	-	10,155	10,155	-	10,155

#### Reconciliation of investment property - 2011

Investment property	Opening balance	Total	
		10,155	10,155

#### Reconciliation of investment property - 2010

Investment property	Opening balance	Total	
		Additions	Disposals
Investment property	5,305	7,000	(2,150)

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 9. Investment property (continued)

#### Pledged as security

No investment property was pledged as security for the liabilities of the municipality:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There is no contractual obligations to purchase, construct or develop investment property.

#### Transitional provisions

#### Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.2, certain investment property with a carrying value of R 10,155 (2010: R 10,155) was recognised at provisional amounts.

### 10. Property, plant and equipment

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Infrastructure	28,153,350	-	28,153,350	17,168,854	-	17,168,854
Community	5,767,241	-	5,767,241	5,619,037	-	5,619,037
Other equipment	3,818,785	-	3,818,785	3,108,820	-	3,108,820
<b>Total</b>	<b>37,739,376</b>	<b>-</b>	<b>37,739,376</b>	<b>25,896,711</b>	<b>-</b>	<b>25,896,711</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Infrastructure	17,168,854	10,984,496	28,153,350
Community assets	5,619,037	148,204	5,767,241
Other equipment	3,108,820	709,965	3,818,785
<b>2</b>	<b>5,896,711</b>	<b>11,842,665</b>	<b>37,739,376</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Infrastructure	11,850,464	5,318,390	17,168,854
Community assets	3,950,578	1,668,459	5,619,037
Other equipment	1,575,347	1,533,473	3,108,820
<b>1</b>	<b>7,376,389</b>	<b>8,520,322</b>	<b>25,896,711</b>

#### Pledged as security

Carrying value of assets pledged as security:

Other equipment	1,682,831	1,175,744
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Financed leased assets are pledged as security for finance leased liabilities as per note 13.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>10. Property, plant and equipment (continued)</b>		
<b>Contractual commitments for the acquisition of property, plant and equipment</b>		
Infrastructure	20,522,165	8,842,549

### Details of heritage assets and servitudes

The municipality owns the following heritage assets:

The Heroes of Steytlerville monument, situated in Steytlerville, in honor of persons that died during the apartheid struggle.  
The Great War Memorial monument, situated in Steytlerville, in honor of service men killed during the First World War.

The municipality owns registered servitudes.

### Transitional provisions

#### Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.3, certain property, plant and equipment with a carrying value of R 37,739,375 (2010: R 25,896,710) were recognised at provisional amounts. Property plant and equipment purchased before 01 July 2008 was recognised at R nil value.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 11. Intangible assets

	2011			2010		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Operating software	466,343	-	466,343	466,343	-	466,343

#### Reconciliation of intangible assets - 2011

	Opening balance	Total
Operating software	466,343	466,343

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Operation software	30,335	436,008	466,343

### Pledged as security

No intangible assets were pledged as security for long term liabilities.

There is no contractual obligations to purchase, construct or develop intangible assets.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 11. Intangible assets (continued)

#### Transitional provisions

##### Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework as issued by the Accounting Standards Board, as disclosed in note 1.4, certain intangible assets with a carrying value of R 466,343 (2010: R 466,343) were recognised at provisional amounts.

### 12. Other financial liabilities

#### Held at amortised cost

ABSA Bank Loan	-	6,707
The abovementioned loan bears interest at 10% and is repayable in monthly repayments of R8 448. The last instalment was 1 July 2010.		

#### Current liabilities

At amortised cost	-	6,707
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The fair values of the financial liabilities approximates their carrying value.

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	927,969	788,244
- in second to fifth year inclusive	1,432,246	1,727,048

less: future finance charges

<b>Present value of minimum lease payments</b>	<b>1,858,703</b>	<b>1,942,814</b>
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#### Present value of minimum lease payments due

- within one year	696,106	539,771
- in second to fifth year inclusive	1,162,597	1,403,043
	<b>1,858,703</b>	<b>1,942,814</b>

Non-current liabilities

Current liabilities	1,162,597	1,403,043
	<b>1,858,703</b>	<b>1,942,814</b>

It is municipality policy to lease certain of the other assets as shown in note 10.

The average lease term was 5 years and the average effective borrowing rate was 17% (2010: 15%).

Interest rates are fixed at the contract date. Some leases escalate at between 10% and 15% per annum. Some vehicles have contingent rent payable based on kilometres travelled above on an agreed limit. For other leases no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 10.

#### Defaults, breaches and renegotiated terms

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Notes to the Annual Financial Statements**

	2011 R	2010 R
There were no reported defaults during the reporting dates under review. There were no changes to the terms and conditions of finance lease obligations. Purchase options exist over certain of the motor vehicles disclosed as other assets in note 10.		

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>14. Trade and other payables from exchange transactions</b>		
Trade payables	8,678,022	4,694,014
Accrued leave pay	1,098,190	1,100,297
Other payables	71,930	-
	<b>9,848,142</b>	<b>5,794,311</b>

The fair value of trade and other payables approximates their carrying value. There were no defaults recorded during the year and no changes to credit terms and conditions.

The calculation of the accrued leave pay for 30 June 2011 has been calculated by using the basic annual salary as at the end of the financial year, divided by two hundred and fifty (250) days, multiplied by the accrued annual leave as at 30 June 2011 (to a maximum of forty eight (48) days).

## 15. Consumer deposits

Electricity	137,165	132,545
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## 16. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

### Unspent conditional grants and receipts

Wireless Backbone Grant (Cacadu)	36,842	-
Water Conservation and Demand	107,944	-
MIG Grant	1,050,814	4,664,121
Provincial LED Projects	700,000	700,000
Valuation of Property	337,274	478,334
Water Conservation DWAF	338,386	338,386
Water Services Assets	55,390	(1)
Water Supply Investigation	15,577	15,577
IDP - Cacadu	189,502	60,259
LED Funds - Cacadu	219,348	375,488
MSIG Grant	153,590	-
Tourism Hospitality Training Grant	15,030	-
	<b>3,219,697</b>	<b>6,632,164</b>

### Movement during the year

Balance at the beginning of the year	6,632,164	11,879,263
Additions during the year	10,833,565	10,999,865
Income recognition during the year	(14,246,032)	(16,246,964)
	<b>3,219,697</b>	<b>6,632,164</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>17. Provisions</b>		
<b>Reconciliation of provisions - 2011</b>		
Opening Balance		Additions Total
Bonus provision	251,243	114,526 365,769
Long service awards	11,501	45,858 57,359
	<b>262,744</b>	<b>160,384 423,128</b>

**Reconciliation of provisions - 2010**

	Additions	Utilised during the year	Total
Opening Balance			
Bonus provision	248,414	2,829 -	251,243
Long service awards	24,393	- (12,892)	11,501
	<b>272,807</b>	<b>2,829 (12,892)</b>	<b>262,744</b>

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th month basic salary.

Uncertainty exists regarding the amount of the bonus provision as employee bonuses may vary due to unexpected increases and wage demands.

Uncertainty exists regarding the amount of the long service provision as there are no certainty regarding the number of employees that will qualify for this award.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary
- After 10 Continuous Years of Service - 3% of Basic Annual Salary
- After 15 Continuous Years of Service - 4% of Basic Annual Salary
- After 20 Continuous Years of Service - 5% of Basic Annual Salary
- After 25 Continuous Years of Service - 6% of Basic Annual Salary
- After 30 Continuous Years of Service - 6% of Basic Annual Salary
- After 35 Continuous Years of Service - 6% of Basic Annual Salary
- After 40 Continuous Years of Service - 6% of Basic Annual Salary
- After 45 Continuous Years of Service - 6% of Basic Annual Salary

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 18. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

No gains or losses were recognised on held to maturity financial assets.

#### 2011

	Loans and receivables	Held to maturity investments	Total
Other financial assets	-	5,810	5,810
Consumer receivables from exchange transactions	2,970,167	-	2,970,167
VAT receivable	2,936,919	-	2,936,919
Trade and other receivables from exchange transactions	194,673	-	194,673
	<b>6,101,759</b>	<b>5,810</b>	<b>6,107,569</b>

#### 2010

	Loans and receivables	Held to maturity investments	Total
Other financial assets	-	7,294,696	7,294,696
Cash and cash equivalents	-	193,465	193,465
Trade and other receivables from exchange transactions	463,279	-	463,279
VAT receivable	1,339,394	-	1,339,394
Consumer receivables from non-exchange transactions	2,546,342	-	2,546,342
	<b>4,349,015</b>	<b>7,488,161</b>	<b>11,837,176</b>

### 19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2011

	Financial liabilities at amortised cost	Total
Finance lease obligations	1,858,703	1,858,703
Unspent conditional grants and receipts	3,219,697	3,219,697
Bank overdraft	289,375	289,375
Trade and other payables from exchange transactions	9,848,142	9,848,142
Provisions	423,128	423,128
Consumer Deposits	137,165	137,165
	<b>15,776,210</b>	<b>15,776,210</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>19. Financial liabilities by category (continued)</b>		
<b>2010</b>		
	Financial liabilities at amortised cost	Total
Finance lease obligations	1,942,814	1,942,814
Unspent conditional grants	6,632,164	6,632,164
Provisions	262,744	262,744
Trade and other payables	5,794,311	5,794,311
Consumer deposits	132,545	132,545
Short term portion of other financial liabilities	6,707	6,707
	<b>14,771,285</b>	<b>14,771,285</b>

## 20. Retirement benefits

### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees through contributions to a nominated contribution plan. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act 24 of 1957 as amended by the Pension Funds Amendment Act 11 of 2007, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The total contributions to such schemes	970,021	761,327
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## 21. Contingent asset

The contingent asset is due to a litigation matter that arose between Baviaans Municipality (Defendant) and Isiseko So QoQosho CC (Plaintiff). This matter arose due to the a claim that the plaintiff instituted against the defendant. The court ruled in favour of the defendant and ordered the plaintiff to reimburse the defendant for legal expenses. The plaintiff has been liquidated and there is uncertainty regarding the plaintiff's ability to pay these legal expenses, in which case the municipality will have to carry these costs. The estimated costs as determined by the defendant's legal team is approximately R300 000 payable in one year. If the defendant is able to recoup these legal expenses it will be accounted for in the Statement of Financial Performance as recoupment of legal expenses incurred.

## 22. Contingent Liability (Landfill Site)

Per Section 20 of the Environment Conservation Act,1989,

No person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and the Minister may

- a) issue a permit subject to such conditions as he may deem fit;
- b) alter or cancel any permit or condition in a permit;
- c) refuse to issue a permit

In light of this the municipality has a current obligation as a result of past events to obtain such a permit and to rehabilitate the current waste disposal sites in Willowmore and Steytlerville.

The municipality has appointed the Aurecon Group to do an environmental impact assessment on the current waste disposal sites and to determine the estimated rehabilitation costs and time needed to perform the rehabilitation process. As at the date of these financial statements Aurecon have not completed this process and an estimate of above mentioned costs and time lines have not been submitted. As a result of this there is a material uncertainty regarding the amount and timing of the future liability to be incurred by the municipality.

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>23. Revenue</b>		
Property rates	2,955,267	2,383,026
Service charges	7,724,389	6,646,646
Rental of facilities & equipment	64,756	97,330
Income from agency services	256,610	765,616
Fines	11,750	14,410
Licences and permits	518,028	387,123
Government grants & subsidies	26,339,953	25,672,786
Miscellaneous other revenue	4,199,554	-
	<b>42,070,307</b>	<b>35,966,937</b>

**The amounts included in revenue arising from exchanges of goods or services are as follows:**

Service charges	7,724,389	6,646,646
Rental of facilities & equipment	64,756	97,330
Income from agency services	256,610	765,616
Licences and permits	518,028	387,123
Miscellaneous other revenue	4,199,554	-
	<b>12,763,337</b>	<b>7,896,715</b>

**The amounts included in revenue arising from non-exchange transactions is as follows:**

Property rates	2,955,267	2,383,026
Fines	11,750	14,410
Government grants & subsidies	26,339,953	25,672,786
	<b>29,306,970</b>	<b>28,070,222</b>

**24. Rental of facilities and equipment**

<b>Premises</b>		
Premises	-	29,012
Venue hire	21,213	23,692
Commonage	1,694	1,439
	<b>22,907</b>	<b>54,143</b>
 <b>Facilities and equipment</b>		
Rental of facilities	41,849	43,187
	<b>64,756</b>	<b>97,330</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>25. Government grants and subsidies</b>		
Equitable share	12,093,919	9,534,832
Finance management grant	1,250,000	900,726
Fullarton fencing grant	-	72,349
IDP grant - Cacadu	27,758	80,076
LED grant - Cacadu	156,141	20,512
MIG grant	10,905,307	11,018,894
MSIG grant	596,410	400,000
Tourism hospitality training grant	330,635	188,754
Valuation of property grant	141,060	2,135,646
Water & sanitation policy grant	-	96,579
Water services asset grant	183,509	1,039,036
CIP grant	-	185,382
Wireless backbone grant	263,158	-
Water conservation and demand grant	392,056	-
	<b>26,339,953</b>	<b>25,672,786</b>

### Equitable Share

In terms of the Division of Revenue Act this unconditional grant, derived from the Provincial Sphere's share of revenue raised nationally, is intended to assist the funding of unforeseeable and unavoidable expenditure due to significant and unforeseeable economic and financial events.

### Wireless Backbone Grant - Cacadu

Current-year receipts	300,000	-
Conditions met - transferred to revenue	(263,158)	-
	<b>36,842</b>	-

Conditions still to be met - remain liabilities (see note 16)

This grant was received from Cacadu District Municipality for the funding of a project that will connect the local libraries with the main library in Port Elizabeth.

### Water Conservation and Demand Grant

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(392,056)	-
	<b>107,944</b>	-

Conditions still to be met - remain liabilities (see note 16)

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>25. Government grants and subsidies (continued)</b>		
<b>Local Government Financial Management Grant</b>		
Balance unspent at beginning of year		9,734
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	<u>(1,250,000)</u>	<u>(1,009,734)</u>
	-	-

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Manager Act (MFMA).

### Critical Infrastructure Programme Grant (CIP)

Balance unspent at beginning of year	-	185,382
Conditions met - transferred to revenue	-	<u>(185,382)</u>
	-	-

### Tourism Hospitality Training Grant

Balance unspent at beginning of year	188,754	-
Current-year receipts	345,665	188,754
Conditions met - transferred to revenue	<u>(330,635)</u>	<u>-</u>
	<b>203,784</b>	<b>188,754</b>

This grant was received from Cacadu District Municipality for the funding of a Tourism Hospitality Training Programme for the employees in the hospitality sector.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4,664,121	7,314,450
Current-year receipts	7,292,000	8,368,566
Conditions met - transferred to revenue	<u>(10,905,307)</u>	<u>(11,018,895)</u>
	<b>1,050,814</b>	<b>4,664,121</b>

Conditions still to be met - remain liabilities (see note 16)

The Municipal Infrastructure Grant (MIG) programme is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

### Provincial LED Projects Grant - Cacadu

Balance unspent at beginning of year	700,000	700,000
	-	-

Conditions still to be met - remain liabilities (see note 16)

This grant was received from Cacadu District Municipality for the funding of the Local Economic Development programme in Steytlerville.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>25. Government grants and subsidies (continued)</b>		
<b>Valuation of Property Grant</b>		
Balance unspent at beginning of year	478,334	2,613,980
Conditions met - transferred to revenue	(141,060)	(2,135,646)
	<b>337,274</b>	<b>478,334</b>

Conditions still to be met - remain liabilities (see note 16)

In terms of the Municipal Property Rates Act, this grant was received to regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies and to make provision for fair and equitable valuation methods of properties.

### Water and Sanitation Policy Grant

Balance unspent at beginning of year	-	87,719
Current-year receipts	-	8,860
Conditions met - transferred to revenue	-	(96,579)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16)

This grant was received from the Department of Water Affairs for the provision of a policy for water and sanitation to farm workers on privately owned farms.

### Water Conservation - DWAF

Balance unspent at beginning of year	338,386	338,386
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16)

This grant was received from the Department of Water Affairs and Forestry to allow the Municipality to undertake a water conservation project, with specific attention to the quality of plumbing used in state subsidized housing projects and to replace old water meters.

### Water Services Asset Grant

Balance unspent at beginning of year	(1)	614,035
Current-year receipts	238,900	425,000
Conditions met - transferred to revenue	(183,509)	(1,039,036)
	<b>55,390</b>	<b>(1)</b>

Conditions still to be met - remain liabilities (see note 16)

This grant was received from the Department of Water Affairs for the calculation of the water services assets of the Municipality and its replacement value.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 25. Government grants and subsidies (continued)

#### Water Supply Investigation Grant

Balance unspent at beginning of year	<u>15,577</u>	<u>15,577</u>
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Conditions still to be met - remain liabilities (see note 16)

This grant was received from the Department of Water Affairs and Forestry to allow the Municipality to initiate a programme to develop the required Water Services Authority capacity, which included a Water Supply Investigation.

#### Integrated Development Plan - Cacadu

Balance unspent at beginning of year	60,259	-
Current-year receipts	157,000	140,336
Conditions met - transferred to revenue	(27,757)	(80,077)
	<u>189,502</u>	<u>60,259</u>

Conditions still to be met - remain liabilities (see note 16)

This grant was received from Cacadu District Municipality for the funding of the Integrated Development Plan.

#### LED Funds Grant - Cacadu

Balance unspent at beginning of year	375,488	-
Current-year receipts	-	396,000
Conditions met - transferred to revenue	(156,140)	(20,512)
	<u>219,348</u>	<u>375,488</u>

Conditions still to be met - remain liabilities (see note 16)

This grant was received from Cacadu District Municipality for the funding of the Local Economic Development programme in Willowmore.

#### Municipal Systems Improvement Grant (MSIG)

Current-year receipts	750,000	400,000
Conditions met - transferred to revenue	(596,410)	(400,000)
	<u>153,590</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16)

The Municipal Systems Improvement Grant (MSIG) is a grant directed to municipalities with a purpose to support them in implementing new systems so that they can carry mandated functions effectively. These new systems include integrated development planning, performance management, financial management, community participation, effective administration and efficient service delivery mechanisms as well as Powers and Functions.

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>26. Other income</b>		
Building fees	7,198	4,777
Cemetery fees	5,681	4,618
Commission received	12,589	11,794
Connection fees	19,271	42,370
Events and other	-	252,582
Membership fees	64,399	50,050
Other revenue	2,295	1,124
EPWP allocation	906,000	-
Arts and crafts allocation	540,000	-
Photocopies	200	311
Rezoning fees	7,076	12,481
Seta claims refunded / (paid)	12,465	(9,020)
Sundry income	464,495	144,869
Tourism brochures	-	17,040
Transaction fees	2,114	78,412
Valuation fees	17,710	11,931
	<b>2,061,493</b>	<b>623,339</b>
<b>27. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	325,177	825,294
Interest charged on trade and other receivables	-	140,650
	<b>325,177</b>	<b>965,944</b>
<b>28. Employee related costs</b>		
Basic	11,382,716	9,388,407
Bonus	605,445	396,706
Contributions to UIF, SDL and medical aid	768,080	404,334
Leave pay provision charge	171,270	276,568
Post-employment benefits - Pension - Defined contribution plan	970,021	761,328
Travel, motor car, accommodation, subsistence and other allowances	182,649	148,903
Overtime payments	334,052	286,389
Long-service awards	45,857	(12,892)
Housing benefits and allowances	25,956	24,736
	<b>14,486,046</b>	<b>11,674,479</b>
<b>Municipal Manager: JZA Vumazonke</b>		
Annual Remuneration	453,678	431,087
Car Allowance	60,000	60,000
Other	14,400	14,400
	<b>528,078</b>	<b>505,487</b>
<b>Chief Financial Officer: JH Doyle</b>		
Annual Remuneration	297,111	278,150
Car Allowance	134,138	134,138
Other	10,800	10,800
	<b>442,049</b>	<b>423,088</b>

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>28. Employee related costs (continued)</b>		
<b>Corporate Services Manager: M Lotter</b>		
Annual Remuneration	356,249	337,287
Car Allowance	75,000	75,000
Other	10,800	10,800
	<b>442,049</b>	<b>423,087</b>
<b>Technical Services Manager: B Arends</b>		
Annual Remuneration	396,249	377,387
Car Allowance	35,000	35,000
Other	10,800	10,800
	<b>442,049</b>	<b>423,187</b>
<b>Community Services Manager: L de Beer</b>		
Annual Remuneration	371,249	352,287
Car Allowance	60,000	60,000
Other	10,800	10,800
	<b>442,049</b>	<b>423,087</b>
<b>29. Remuneration of councillors</b>		
Councillors	731,055	626,979
Executive mayor	311,177	259,094
	<b>1,042,232</b>	<b>886,073</b>
<b>30. Finance costs</b>		
Finance leases	305,935	251,032
Current borrowings	1,742	6,261
Other interest paid	217,010	16,486
	<b>524,687</b>	<b>273,779</b>
<b>31. Debt impairment</b>		
Contributions to debt impairment provision	-	97,382
Debts impaired	883,862	482,323
	<b>883,862</b>	<b>579,705</b>

**Baviaans Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2011

**Notes to the Annual Financial Statements**

	2011 R	2010 R
<b>32. General expenses</b>		
Administration fees	24,292	51,832
Advertising	76,094	65,899
Animal costs	-	122,640
Auditors remuneration	2,465,195	812,510
Bank charges	124,182	59,027
Capital expenditure	54,706	335,767
Chemicals	113,312	128,919
Cleaning	-	12,095
Commission paid	110,108	69,463
Consulting and professional fees	449,068	79,129
Consumables	29,848	12,581
Departmental charges	-	1,961
Donations	-	25,916
EPWP wages	2,754,901	-
Electricity	848,299	439,165
Fuel and oil	674,105	431,109
General expenses transferred from grants	3,243,058	8,538,139
IT expenses	4,700	(261)
Insurance	193,642	188,692
LED arts and crafts expenditure	469,600	-
Licences	23,193	36,367
Movement in water inventory	(6,452)	(2,085)
Other expenses	13,440	15,600
Pest control	828	3,634
Postage and courier	130,230	87,657
Printing and stationery	188,005	160,076
Promotions	-	60,000
Provision for doubtful debts	-	105,845
Refuse	56,325	46,352
Research and development costs	23,299	58,816
Special projects	1,036,057	640,896
Subscriptions and membership fees	70,000	68,807
Telephone and fax	427,010	320,622
Title deed search fees	20,792	919
Tourism development	473,034	287,439
Town planning	30,000	32,394
Training	36,167	257,214
Travel - local	89,779	105,527
Utilities - Other	230,997	220,407
	<b>14,477,814</b>	<b>13,881,070</b>
<b>33. Auditors' remuneration</b>		
Fees	<u>2,465,195</u>	<u>812,510</u>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
<b>34. Cash generated from operations</b>		
Surplus	5,114,582	3,923,890
<b>Adjustments for:</b>		
Gain on sale of assets and liabilities	-	(39,423)
Finance costs - Finance leases	305,935	251,032
Debt impairment	883,862	579,705
Movements in provisions	160,384	302,451
<b>Changes in working capital:</b>		
Inventories	(6,452)	(2,084)
Trade and other receivables from exchange transactions	268,606	(426,294)
Consumer debtors	(1,307,687)	(1,558,192)
Trade and other payables from exchange transactions	4,053,834	(1,035,100)
VAT	(1,597,525)	(371,857)
Unspent conditional grants and receipts	(3,412,467)	(5,247,099)
Consumer deposits	4,620	2,253
	<b>4,467,692</b>	<b>(3,620,718)</b>
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Tenders	<b>20,522,165</b>	<b>8,842,549</b>
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses and government grants.		
<b>36. Related parties</b>		
Relationships		
EL Loock	Mayor. In addition he provides transport services to the Baviaans Municipality	
D Bezuidenhout	Councillor	
H Booyens	Councillor	
V Lapperts	Councillor	
M Fivaz	Councillor	
T Spogter	Councillor	
GA Hobson	Councillor	
JM Vumazonke	Municipal Manager	
JH Doyle	Chief Financial Officer	
B Arends	Technical Services Manager	
L de Beer	Community Services Manager	
MA Lotter	Corporate Services Manager	
Eskom	Related government entity	
Cacadu District Municipality	District municipality that the Baviaans Municipality is part of	
<b>Related party balances</b>		
<b>Councillors rates and taxes in arrears</b>		
D Bezuidenhout	984	-
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
EL Loock - Transport provided	-	9,100

## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Notes to the Annual Financial Statements**

	2011 R	2010 R
DJ Bezuidenhout - Purchase of sheep for functions	-	1,950

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 37. Prior period errors

During the preparation of the annual financial statements the following errors were identified and subsequently restated. These errors included the following:

- Property, plant and equipment items were incorrectly treated as repairs and maintenance.
- Trade receivables were overstated due to accruals raised in the incorrect periods and amounts incorrectly recorded in prior years.
- Certain Finance lease agreements for office equipment were treated as operating expenses in the prior year and not as non-current liabilities.
- Long Service Awards provision was overstated due to the incorrect treatment of the payment policy of such awards.
- Leave pay accrual was restated as there was a change in the data used to calculate this provision.
- Provision for rehabilitation costs were removed from the annual financial statements as there is uncertainty regarding the amount and timing of this provision. Refer to note 22.
- Interest received was overstated due to an incorrect accrual of interest.
- Income and expense amounts related to SETA claims were included in trade payables and were reclassified to the Statement of Financial Performance.
- Cash and Cash Equivalents suspense accounts were not cleared in the prior period. This has subsequently been corrected..
- Prepaid expenditure was not accounted for in prior periods and was subsequently included in trade and other receivables
- The treatment of certain value added tax entries were not correct in the prior period. This has subsequently been corrected.

[If retrospective restatement is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.]

The correction of the errors resulted in the following adjustments:

### Statement of financial position

Property, plant and equipment	-	(279,168)
Trade and other receivables from non - exchange transactions	-	(7,176)
Intangible assets	-	51,356
Consumer receivables from exchange transactions	-	74
VAT receivable from non-exchange transactions	-	(211,887)
Cash and cash equivalents	-	299,987
Trade and other payables from exchange transactions	-	786,553
Consumer deposits	-	(12)
Provisions	-	999,435
Finance lease obligation	-	(468,515)
Accumulated surplus	-	(171,901)

### Statement of financial performance

Property rates	-	7
Service charges	-	(22,537)
Licenses and permits	-	77,670
Income from agency services	-	(9,041)
Other income	-	10,646
Interest received - investment	-	3,015
Personnel	-	513
Remuneration of councillors	-	(47,261)
Finance costs	-	(77,951)
Amortisation	-	(29,307)
Debt impairment	-	82,323
Repairs and maintenance	-	(137,266)
Bulk purchases	-	(581,999)
General expenses	-	(253,509)
Gain on disposal of assets and liabilities	-	(20,921)

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 38. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	9.00 %	213,601	-	-	-	-
Consumer receivables - normal credit terms	9.00 %	2,970,167	-	-	-	-
Trade and other payables - normal credit terms	9.00 %	(8,394,861)	-	-	-	-
VAT receivable	- %	2,935,167	-	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and held-to-maturity financial assets. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality establishes an allowance for impairment that represents its estimate of incurred credit losses in trade and other receivables. The municipality's consumers were reviewed for indication of impairment and certain receivables were found to be impaired and an allowance for credit loss was provided for - Refer note 7 for the reconciliation thereof

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	2011 R	2010 R
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### 38. Risk management (continued)

Financial assets exposed to credit risk at reporting date were as follows:

#### Financial instrument

Cash and cash equivalents	-	193,465
Short term deposits	5,810	7,294,696
Trade and other receivables from non-exchange transactions	213,601	463,279
Consumer receivables received from exchange transactions	2,970,167	2,546,342

The municipality does not hold any collateral as security, but however has preferential rights on collecting arrear consumer accounts when consumers' properties are placed under sale of execution.

### 39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 40. Events after the reporting date

The executives of the municipality are not aware of any significant matter or circumstance arising subsequent to the financial year end.

### 41. Unauthorised expenditure

Agency Commission	33,311	2,938
Audit Cost	1,791,826	262,510
Bank Charges	-	28,063
Capital Interest	-	8,738
Capital Redemption	-	8,738
Electricity (Eskom)	234,602	186,823
Finance Management Grant Expenditure	-	232,119
Fuel and Oil	73,572	-
Membership Fees	-	3,807
Salaries	902,032	-
Telephone	-	141,408
Vehicle Maintenance	7,539	110,913
Water Research	-	33,755
	<b>3,042,882</b>	<b>1,019,812</b>

Unauthorized expenditure is due to a vote that was overspent during the current financial year. The nature of unauthorized expenditure is as follows.

Fuel and oil - Significant increases in fuel prices during the financial year lead to additional fuel expenses.

Audit cost - The first time adoption of GRAP lead to a increase in audit costs. This was not budgeted for.

Salaries - Unexpected salary increases lead to salary costs not budgeted for.

Electricity - Higher than expected tariff hikes from Eskom lead to higher than budgeted electricity expenses.

Vehicle maintenance - Higher than expected maintenance cost lead to this vote being overspent.

These items of unauthorized expenditure were authorized during a special council meeting held in July 2011.

### 42. Fruitless and wasteful expenditure

Penalties and interest	-	276,368
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## **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2011

### **Notes to the Annual Financial Statements**

	2011 R	2010 R
The penalties and interest were paid to The South African Revenue Service for the late submission of PAYE, UIF and SDL returns. This classifies as wasteful expenditure as the municipality had made these expenditure in vain and with the proper care could have avoided these expenses.		

**43. Irregular expenditure**

Irregular expenditure - current year	3,066,125	<u>11,404,951</u>
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**44. Actual operating expenditure versus budgeted operating expenditure**

Refer to Appendix C for the comparison of actual operating expenditure versus budgeted expenditure.

**45. Actual capital expenditure versus budgeted capital expenditure**

Refer to Appendix D for the comparison of actual capital expenditure versus budgeted expenditure.

**46. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

There were no deviations from supply chain policies besides the extension of contract expiration dates of key suppliers. The extension of these contracts had no adverse financial impact on the municipal entity.

**47. Soccer world cup expenditure**

The municipality spent R30,050 on flags to commemorate the Fifa Soccer World Cup that was held in South Africa during June 2010.

**BAVIAANS MUNICIPALITY**

**APPENDIX A**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

**30 JUNE 2011**

		<b>Balance at 30/06/2010</b>	<b>Received during the year</b>	<b>Redeemed or written off during the year</b>	<b>Balance at 30/06/2011</b>	<b>Carrying value of Property Plant &amp; Equipment</b>
<b><u>External loans</u></b>						
	Redeemable					
Issued						
<b>ABSA Bank</b>						
2005 - R 376 585 @ 11.00%	2010	6,707	-	6,707	-	-
Sub Total		6,707	-	6,707	-	-
<b><u>Finance lease obligation</u></b>						
<b>Technologies Acceptances</b>	1-781580	64,010	-	16,402	47,608	84,539
<b>Technologies Acceptances</b>	2-653148	46,740	-	16,514	30,226	-
<b>Technologies Acceptances</b>	3-697754	9,568	-	2,942	6,626	-
<b>ABSA Bank</b>	6-380917	67,674	-	27,555	40,119	-
<b>ABSA Bank</b>	7-381213	64,252	-	24,823	39,429	-
<b>ABSA Bank</b>	8-381214	64,252	-	24,823	39,429	-
<b>ABSA Bank</b>	9-381215	64,252	-	24,823	39,429	-
<b>ABSA Bank</b>	10-384519	203,249	-	78,507	124,742	-
<b>ABSA Bank</b>	11-383043	111,291	-	43,699	67,592	-

<b>ABSA Bank</b>	12-383046	107,926	-	44,211	63,715	-
<b>ABSA Bank</b>	13-383045	119,146	-	47,288	71,858	-
<b>ABSA Bank</b>	14-411720	106,980	-	26,629	80,351	142,423
<b>ABSA Bank</b>	15-432654	85,755	-	13,389	72,366	95,797
<b>ABSA Bank</b>	16-443051	110,181	-	18,302	91,879	108,003
<b>Technologies Acceptances</b>	17-711116	25,388	-	7,593	17,795	36,848
<b>Technologies Acceptances</b>	18-843957	82,534	-	14,326	68,208	90,526
<b>Technologies Acceptances</b>	19-843958	97,844	-	18,498	79,346	108,235
<b>Technologies Acceptances</b>	20-711095	34,382	-	10,283	24,099	49,902
<b>The Rental Company</b>	21	35,575	-	8,883	26,692	-
<b>ABSA Bank</b>	23-455287	-	82,502	3,041	79,461	82,502
<b>ABSA Bank</b>	24-455288	-	82,502	3,041	79,461	82,502
<b>Nashua Finance</b>	25	57,079	-	8,742	48,337	65,000
<b>Technologies Acceptances</b>	26	366,701	-	54,207	312,494	375,600
<b>Technologies Acceptances</b>	27	-	62,600	3,875	58,725	62,600
<b>ABSA Bank</b>	28-444840	-	279,484	45,804	233,680	279,484
<b>Technologies Acceptances</b>	29-846555	18,035	-	2,999	15,036	18,871
<hr/>						
		1,942,814	507,088	591,199	1,858,703	1,682,831
<hr/>						
<b>TOTAL</b>		<b>1,949,521</b>	<b>507,088</b>	<b>597,906</b>	<b>1,858,703</b>	<b>1,682,831</b>
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**BAVIAANS MUNICIPALITY**

**APPENDIX B**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Historical cost								
Description	Asset code	Opening balance	Additions	Transfers	Disposals	Depreciation	Closing Balance	Carrying value
<b>Infrastructure</b>		17,168,854	10,984,496	-	-	-	28,153,350	28,153,350
		<b>17,168,854</b>	<b>10,984,496</b>	-	-	-	<b>28,153,350</b>	<b>28,153,350</b>
<b>Community Assets</b>		5,619,037	148,204	-	-	-	5,767,241	5,767,241
		<b>5,619,037</b>	<b>148,204</b>	-	-	-	<b>5,767,241</b>	<b>5,767,241</b>
<b>Other equipment</b>		3,108,820	709,965	-	-	-	3,818,785	3,818,785
		<b>3,108,820</b>	<b>709,965</b>	-	-	-	<b>3,818,785</b>	<b>3,818,785</b>
<b>TOTAL</b>		<b>25,896,711</b>	<b>11,842,665</b>	-	-	-	<b>37,739,376</b>	<b>37,739,376</b>

**APPENDIX C**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

<b>Description</b>	<b>2010/2011</b>	<b>2010/2011</b>	<b>2010/2011</b>	<b>2010/2011</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Variance</b>	
<b>REVENUE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
Property rates	2,955,267	2,695,106	260,161	8.80%	
Service charges	7,724,389	8,773,226	-1,048,837	-13.58%	Reduction of electricity losses, consumers used less electricity.
Rental of Facilities and Equipment	64,756	50,542	14,214	21.95%	Increase in tariffs.
Interest Earned - External investments	325,177	450,000	-124,823	-38.39%	Interest rates are lower; all grants were spent during the year.
Interest Earned - Outstanding debtors	350,502	640,000	-289,498	-82.60%	Outstanding debtors have decreased more than budgeted.
Fines	11,750	10,000	1,750	14.89%	Magistrate reduced fines.
Licences and Permits	774,638	900,000	-125,362	-16.18%	Fewer vehicles were registered during the year.
Miscellaneous other revenue	4,199,554	-	4,199,554	100.00%	Creditors adjustment.
Government Grants and Subsidies	27,785,953	21,704,738	6,081,215	21.89%	Unspent conditional grants from 2009/2010 were spent during year.
Other income	615,493	304,649	310,844	50.50%	
<b>Total Revenue</b>	<b>44,807,479</b>	<b>35,528,261</b>	<b>9,279,218</b>	<b>20.71%</b>	

<b>EXPENDITURE</b>					
Employee Related Costs	14,486,046	16,373,330	-1,887,284	-13.03%	Vacancies were not filled and employees do not use all benefits.
Remuneration of Councillors	1,042,232	788,421	253,811	24.35%	Two additional councillors from 18/05/2011.
Provision of Bad Debts/Impairment of Debtors	883,862	200,000	683,862	77.37%	Provision was under budgeted.
Repairs and Maintenance	2,747,700	2,705,954	41,746	1.52%	
Bulk Purchases	5,530,556	4,930,450	600,106	10.85%	Increase in Eskom tariffs from 01/04/2011.
Finance charges	524,687	332,348	192,339	36.66%	Finance leases were budgeted for under repairs and maintenance.
General Expenses	14,477,814	10,031,072	4,446,742	30.71%	
<b>Total Expenditure</b>	<b>39,692,897</b>	<b>35,361,575</b>	<b>4,331,322</b>	<b>10.91%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>5,114,582</b>	<b>166,686</b>	<b>4,947,896</b>	<b>2968%</b>	

**BAVIAANS MUNICIPALITY**

**APPENDIX D**

**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011**

Description	2010/2011	2010/2011	2010/2011	2010/2011	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	Actual	Budget	Variance	Variance	
<b>Infrastructure</b>	R <b>10,984,495</b>	R <b>12,759,573</b>	R <b>-1,775,078</b>	% <b>-14%</b>	
Roads, Pavements & Bridges	8,458,682	8,658,899	-200,217	-2%	
Housing (Down Housing and Steytlerville)	-	1,409,456	-1,409,456	-100%	Project only approved for 2011/2012 year.
Generation	1,066,497	1,616,218	-549,721	-34%	Project ran over into the 2011/2012 year.
Street lighting	-	350,000	-350,000	-100%	Project was abandoned due to insufficient budget.
Water purification	1,459,316	575,000	884,316	154%	Unspent MIG funds from 2009/2010 were used.
Sewerage purification	-	150,000	-150,000	-100%	Included under Water purification
<b>Community</b>	R <b>148,204</b>	R <b>300,000</b>	R <b>-151,796</b>	% <b>-51%</b>	
Town Halls	6,705	300,000	-293,295	-98%	Project was abandoned due to specifications for curtains in Town Halls being incorrect.
Libraries	141,499	-	141,499	100%	Included under operating budget - community
<b>Other Assets</b>	R <b>709,965</b>	R <b>-</b>	R <b>709,965</b>	% <b>100%</b>	
General vehicles	444,488	-	444,488	100%	Included under operating budget under repairs and maintenance, reclassified due to implementation of GRAP.
Plant & equipment	10,025	-	10,025	100%	
Office Equipment	255,452	-	255,452	100%	Office equipment was included in FMG, MSIG and repairs and maintenance.
<b>Total</b>	R <b>11,842,664</b>	R <b>13,059,573</b>	R <b>-1,216,909</b>	% <b>-9%</b>	

**BAVIAANS MUNICIPALITY****APPENDIX E****DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003****Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Receipts	Expenditure	Compliance to Revenue Act
Finance Management Grant	National Treasury	1,250,000	1,250,000	Yes
Integrated Development Plan - Cacadu	CACADU	157,000	27,758	Yes
Local Economic Development Funds Cacadu	CACADU	-	156,141	Yes
MIG	National Treasury	7,292,000	10,905,307	Yes
MSIG	National Treasury	750,000	596,410	Yes
Tourism Hospitality Training	CACADU	345,665	330,635	Yes
Valuation of Property	Province	-	141,060	Yes
Water Conservation & Demand	Departement of Water Affairs	500,000	392,056	Yes
Water Services Asset	Departement of Water Affairs	238,900	183,509	Yes
Wireless Backbone - Cacadu	CACADU	300,000	263,158	Yes
<b>Total Grants and Subsidies</b>		<b>10,833,565</b>	<b>14,246,032</b>	



## 4.2 AUDITOR GENERAL'S REPORT



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **Audit Report**

## **Baviaans Municipality**

For the Year ended 30 June 2011

# REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON BAVIAANS MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I was engaged to audit the accompanying financial statements of the Baviaans Municipality, which comprise the statement of financial position as at 30 June 2011 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages ... to ....

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 1111 of 2010 issued in *Government Gazette* 33872 of 15 December 2010. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer of opinion

#### Expenditure

4. Expenditure of R39,7 million for the financial year under review is disclosed in the statement of financial performance.
5. Included in the total expenditure are amounts to the value of R8,5 million (2010: R4,1 million) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of expenditure.
6. Also included in the total expenditure is an amount of R2,7 million for expanded public works programme wages that were incorrectly classified. Consequently, employee costs are understated and the expanded public works programme is overstated by R2,7 million.

**Revenue**

7. According to the statement of financial performance, revenue for the financial year under review amounted to R44,8 million.
8. Included in this revenue are amounts totalling R4,2 million (2010: R5 million) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of revenue.
9. Included in the total revenue above is an amount of R576 472 relating to expenditure for repairs and maintenance, and electricity that was incorrectly processed to revenue. Consequently, revenue and expenditure are both understated by R576 472.
10. The audit report on the financial statements of the municipality for the year ended 30 June 2010 was modified on occurrence and accuracy of revenue by an amount of R623 645. The receivables could not be traced to subsequent receipts. The corresponding figures in the current year financial statements have not been amended to record the misstatements.

**Government grant and subsidies**

11. According to the statement of financial performance government grant and subsidies for the financial year under review amounted to R26,3 million.
12. Included in grant revenue are amounts totalling R1,3 million for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of government grant and subsidies.
13. GAMAP 9 prescribes that revenue from conditional government grants only be recognised to the extent that the conditions have been met. Contrary to this requirement, an amount of R935 242 was incorrectly recognised as revenue from government grants. As a consequence of not adhering to this accounting standard government grants and subsidies revenue that is disclosed in the statement of financial performance and in note 25 is overstated and unspent conditional grants and receipts in the statement of financial position is understated by R935 242.

**Irregular expenditure**

14. Irregular expenditure for the financial year under review of R3,1 million is disclosed in note 43 to the financial statements.
15. Adequate supporting documentation to the value of R4,8 million could not be provided to confirm the adherence to the procurement processes. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, accuracy and classification of irregular expenditure that is disclosed in note 43 of the financial statements.
16. Irregular expenditure amounting to R5 million related to payments made in contravention of the procurement processes. Furthermore, irregular expenditure to the amount of R5 790 relating to section 8(1) of the Remuneration of Public Office Bearers,

1998 (Act No. 20 of 1998) was not included in note 43. Consequently, the irregular expenditure in note 43 is understated by an amount of R5 million.

17. Included in general expenditure is an amount of R624 979 where the grant was not utilised per the required grant condition. This amount was not recognised as irregular expenditure and consequently irregular expenditure is understated by R624 979.

#### **Unauthorised expenditure**

18. Disclosed in note 41 to the financial statements is unauthorised expenditure for the financial year under review of R3,1 million. Section 15 of the MFMA requires the municipality to incur expenditure only in terms of and within each vote limit of an approved budget. Contrary to this requirement, expenditure of R6,3 million was incurred, which exceeded the budget per vote. Furthermore, grant expenditure of R2,4 million was spent in contravention of the grant conditions. Consequently, the unauthorised expenditure disclosed in note 41 of the financial statements is understated by R8,7 million.

#### **Value added tax (VAT)**

19. Included in the VAT receivable from exchange transactions is an amount of R508 169 (2010: R1,2 million) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification and rights and obligations of the VAT receivable from exchange transactions.
20. Section 7 of the Value-Added Tax Act, 1991 (Act No. 89 of 1991) prescribes that a vendor is liable for VAT for the supply of goods or services calculated at a rate of 14% on the value of the supply. An amount of R406 218 (2010: R491 557) relating to the adjustment to output VAT overdeclared on revenue was incorrectly accounted for by the municipality. Consequently, the VAT receivable from exchange transactions and revenue is overstated.
21. An opening balance of R436 814 relating to the prior year VAT receivable from exchange transactions was not brought forward. Consequently, the VAT receivable from exchange transactions and the accumulated surplus are overstated.
22. The prior year VAT receivable from exchange transactions was not adjusted based on the VAT assessment received from the South African Revenue Service to the amount of R113 444. Consequently, the VAT receivable from exchange transactions and the accumulated surplus are understated by R113 444.

#### **Property, plant and equipment**

23. Property, plant and equipment of R37,7 million (2010: R25,9 million) is disclosed in the statement of financial position of the municipality.
24. Documentation to support the disclosure of property, plant and equipment of R7,5 million could not be provided. Furthermore, the fixed asset register did not reflect all land and buildings, assets did not always have unique numbers to identify them and the fixed asset register only reflected additions from 2008. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification, and rights and obligations of property, plant and equipment.

25. GRAP 17: *Property, plant and equipment*, requires assets to be disclosed per category. An amount of R8,7 million was misclassified between the categories of property, plant and equipment. Consequently, infrastructure assets, community assets and other equipment is overstated by R1 million, R931 070, R6.7 million respectively and plant and equipment, furniture and fittings, electronic equipment, vehicles and infrastructure assets is understated by R620 713, R1.7 million, R5.1 million, R775 891 and R465 535 respectively.
26. GRAP 17 also prescribes that the amount of contractual commitments for the acquisition of property, plant and equipment should be disclosed in the financial statements for each class of property, plant and equipment recognised in the financial statements. Capital commitments of R19.3 million was identified that did not agree to the capital commitments of R20.5 million disclosed in note 10 to the financial statements. Consequently, capital commitments are overstated by R1,2 million.
27. GRAP 17 also requires that the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities, should be disclosed in the financial statements for each class of property, plant and equipment recognised in the financial statements. Assets to the value of R1,5 million, which were pledged as security were not included in the amount of R1,7 million disclosed in note 10 in the financial statements. Consequently, the value of assets pledged as security is understated by R1,5 million.
28. GRAP 17, *Property, plant and equipment*, requires that various classes of property, plant and equipment that are of a similar nature or function should be shown as a single item for the purpose of disclosure in the financial statements. The disclosure in note 10 for property, plant and equipment does not reflect assets to the value of R3,2 million held separately under a finance lease.
29. The audit report of the previous financial year was modified in respect of property, plant and equipment due to overstatements and understatements of R144 826 and R117 859, respectively, as expenses were incorrectly capitalised and fixed asset additions and finance lease expenses were incorrectly expensed. The prior year amounts that are disclosed in the financial statements for the year under review have not been amended to record this misstatement. Consequently, property, plant and equipment are overstated by R26 967.

#### **Investment properties**

30. Investment property of R10 155 is disclosed in the statement of financial position and note 9 to the financial statements.
31. Adequate supporting documentation and records such as a property register with sufficient detail of descriptions, locations and references that correlated to the physical assets could not be provided to confirm this disclosure. Furthermore, the municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification, and rights and obligations of investment property.

#### **Cash and cash equivalents**

32. Included in the statement of financial position for the financial year under review is a bank overdraft of R289 375 (2010: cash and cash equivalent of R193 465).
33. IAS 39 prescribes that a financial liability will be derecognised when it is extinguished

and the obligation specified in the contract is discharged or cancelled, or expires. Included in reconciling items of R537 741 is an amount of R533 128 relating to trade payables. The municipality withheld a payment at year-end due to cash flow difficulties being experienced. Consequently, the bank overdraft and trade payables are understated by R533 128.

#### **Trade and other payables**

34. Trade and other payables from exchange transactions of R9,8 million (2010: R5,8 million) are disclosed in the statement of financial position and note 14 to the financial statements.
35. Included in the trade and other payables from exchange transactions is an amount of R3,4 million (2010: R2,1 million) for which adequate supporting documentation could not be provided. The municipality could also not provide sufficient appropriate audit evidence to support payments of R2,9 million that were made subsequent to year-end. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification and rights and obligations of the trade and other payables.
36. The audit report on the financial statements of the municipality for the year ended 30 June 2010 was modified on existence and the valuation of the trade and other payables from exchange transactions by an amount of R1,1 million. The trade and other payables from exchange transactions included bank transfers resulting in a misclassification. The corresponding figures in the current year financial statements have not been amended to record the misstatements. As a result my opinion on the financial statements for the current year is also modified on the corresponding figures.

#### **Trade and other receivables from exchange transactions**

37. According to the statement of financial position and note 5 to the financial statements trade and other receivables from exchange transactions for the financial year are R194 673 (2010: R463 279).
38. Included in these trade receivables from exchange transactions is an amount of R759 050 and a write-off of irrecoverable receivables of R2,5 million for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification, and rights and obligations of the trade receivables from exchange transactions.
39. Provision for debt impairment of assets of R901 411 disclosed in note 7 is not in terms of IAS 39, *Financial Instruments: Recognition and Measurement*. The municipality could not provide supporting documentation to substantiate the inputs and assumptions used to calculate the provision for the balance provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification, and rights and obligations of the provision for debt impairment of assets.
40. The audit report on the financial statements of the municipality for the year ended 30 June 2010 was modified as insufficient documentation was obtained to substantiate receivables and journals relating to receivables to the amount of R1,3 million for completeness, valuation, existence, classification, and rights and obligations.

Furthermore, the provision for debt impairment was calculated by management using the 31 March 2010 debtors age analysis instead of the debtors age analysis as at 30 June 2010. The corresponding figures in the current year financial statements have not been amended to record the misstatements. As a result, my opinion on the financial statements for the current year is also modified on the corresponding figures.

#### **Accumulated surplus**

41. Disclosed in the statement of financial position is the accumulated surplus of R28,6 million (2010: R23,5 million).
42. Included in the prior year accumulated surplus restatement of R12 million, disclosed in note 37, is an amount of R436 814 for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification and rights and obligations of accumulated surplus.
43. The opening balance of the accumulated surplus in the statement of changes in net assets to the financial statements of R19,3 million has been restated by R1,1 million. Adequate supporting documentation could not be provided for this restatement. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the disclosure of accumulated surplus.

#### **Provision for landfill site**

44. The prior year balance includes an amount of R989 634 for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence, classification and rights and obligations of the provision for landfill sites.
45. A provision for landfill sites has not been recognised or measured in terms of the GRAP 19, *Provisions, contingent liabilities and contingent assets*. The municipality did not elect to adopt Directive 4 in the 30 June 2010 financial statements. The contingent liability as disclosed in note 22 is thus not sufficient regarding the provision for landfill sites. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to determine the extent of the misstatement of the provision for landfill sites.

#### **Remuneration of councillors**

46. Councillors' remuneration of R1 million is disclosed in the statement of performance and note 29 to the financial statements.
47. Various allowances were incorrectly classified in note 29 to the financial statements. This resulted in an understatement of R1,1 million and an overstatement of basic salary councillors amounting to R1 million. Consequently, remuneration of councillors is understated by R64 189.

#### **Retirement benefits**

48. IAS 19, *Employee benefits*, requires that a present obligation should be recognised for a defined benefit plan, whereas a defined contribution plan will not give rise to a liability and will be disclosed as an expense in the financial statements. The retirement benefit plan is recognised, measured and disclosed in note 20 as a defined contribution plan. The municipality could not provide sufficient appropriate audit

evidence to support the treatment of the plan. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation, existence and disclosure of the retirement benefit plan.

#### Cash flow

49. Presentation of a cash flow statement summarising the entity's operating, investing and financing activities, is required by Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements*. The following material misstatements were identified during my audit:
  50. Included in net cash flows from operating activities in the cash flow statement and note 34 to the financial statements is an adjustment to trade and other payables of R4,2 million. As this adjustment does not relate to cash transactions, both net cash flows from operating activities in the cash flow statement and note 34 are overstated by R4,2 million.
  51. Proceeds from sale of financial assets of R7,3 million (2010: R11 million) is overstated by R1 million (2010: R46 584) due to the misclassification of investments in the current and prior year. Furthermore, this resulted in the closing balance for cash and cash equivalents being understated by R5 810 (2010: R1 million) and the opening balance for cash and cash equivalents being understated by R1 million (2010: R972 885).

#### Financial statement disclosure

52. VAT to the value of R2,9 million has been incorrectly classified as a financial instrument in note 38 to the financial statements. The municipality did not disclose all the information required by the IFRS 7 (AC 144), *Financial instruments: Disclosures*.

#### Financial sustainability

53. GRAP 1, paragraph 27, requires that management disclose any material uncertainties which may cast significant doubt upon its ability to continue as a going concern. The municipality is currently in a net liability position of R8,4 million and is unable to settle short-term debts timeously and, considering the material adjustments required to liabilities and expenses, the municipality would not be in a profitable position. Furthermore, the municipality could not provide assurance of the ability to settle short-term debt to mitigate the liquidity situation. There is significant uncertainty as to whether the municipality will be able to settle its obligations as they fall due. Management has not disclosed any of the material uncertainties as required.

#### Accumulation of immaterial uncorrected misstatements

54. The financial statements as a whole are materially misstated due to the cumulative effect of various individually immaterial uncorrected misstatements in the following elements making up the statement of financial performance:
  - Employee costs, note number 28, R212 983
  - General expenditure, note number 32, R535 976
  - Revenue, note number 23, -R95 489
  - Finance costs, note number 23, -R170 281

55. In addition, I was unable to obtain sufficient appropriate audit evidence and consequently, I was unable to confirm or verify the following elements making up the statement of financial performance by alternative means:
- Employee costs, note number 28, R48 690
  - General expenditure, note number 32, -R174 420
  - Revenue, note number 23, R277 486
  - Government grants and subsidies, note number 25, R196 630.

**Disclaimer of opinion**

56. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

**Emphasis of matter**

57. I draw attention to the matter below. My opinion is not modified in respect of this matter:

**Restatement of corresponding figures**

58. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2010 have been restated due to errors discovered during the period ended 30 June 2011 in the financial statements of Baviaans Municipality at, and for the year ended, 30 June 2010.

**Additional matter**

59. I draw attention to the matter below. My opinion is not modified in respect of this matter:

**Unaudited supplementary schedules**

60. The supplementary information set out on pages XX to XX and pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

61. In accordance with PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872* of 15 December 2010, we include below our findings on the annual performance report as set out on pages XX to XX and material non-compliance with laws and regulations applicable to the municipality.

## **PREDETERMINED OBJECTIVES**

### **Presentation of information:**

62. The following criteria are relevant to the findings below:

- Performance against predetermined objectives is reported using the National Treasury guidelines.

63. Audit findings:

**Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives**

- Adequate explanations for any of major variances between the planned and the actual reported targets were not provided, as required in terms of the relevant reporting guidance.

### **Usefulness of information**

64. The following criteria are relevant to the findings below:

- Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets
- Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time bound.

65. Audit findings:

**Planned and reported indicators are not well defined**

- Sixty-four of the planned and reported indicators that were selected were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

**Planned and reported indicators are not verifiable**

- Valid performance management processes and systems, that produce actual performance against the planned indicators, do not exist for 47% of the selected indicators.

**Planned and reported targets are not specific**

- Targets were not specific in clearly identifying the nature and the required level of performance in respect of 55% of the selected objectives.

**Planned and reported targets are not measurable**

- Seventy-four per cent of the planned and reported targets for the selected indicators were not measurable in identifying the required performance.

**Planned and reported targets are not time bound**

- All the planned and reported targets that were selected were not time bound in

specifying the time period or deadline for delivery.

**Planned objectives and indicators are not relevant to the mandate and objectives of the entity**

- In more than 39% of instances the indicator and targets as per the integrated development plan did not relate directly to the institution's strategic goals and objectives as per the five-year integrated development plan.

**Reliability of information**

66. The following criteria are relevant to the findings below:

- Validity: Actual reported performance has occurred and pertains to the entity
- Accuracy: Amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately
- Completeness: All actual results and events that should have been recorded have been included in the annual performance report.

67. Audit findings:

**Reported performance against targets is not valid, accurate and complete when compared to source information**

- Sixty-seven % of the reported targets for the selected objective were not accurate and valid based on the source information provided.
- All of the reported targets for the selected objectives were not valid and accurate based on the source information provided.
- None of the reported targets in respect of the selected objectives are complete, based on the source information provided.
- Fifty per % of the reported targets for the selected objectives were not valid and accurate based on the source information provided.
- Based on the source information provided, 33% of the reported targets for 33% of the selected objectives were not complete.

**Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives**

- Adequate explanations for all of major variances between the planned and the actual reported targets for none of the objectives, as required in terms of the relevant reporting guidance, could not be provided.

**Compliance with laws and regulations**

**Strategic planning and performance management**

68. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by sections 38, 39, 40 and 41 of the Municipal Systems Act, 2000 (Act No.32 of 2000) (MSA) and Regulations 7 and 8 of the Local Government Municipal Planning and Performance Management, 2001 (MPPR) published in *General Notice 796* of 24 August 2001.
69. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the

mayor of the municipality, the National Treasury, and the Provincial Treasury as required by section 72(1) (b) of the MFMA.

#### **Budgets**

70. In contravention of section 15 of the MFMA, the municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget.
71. The annual budget of the municipality is not based on the development priorities and objectives as well as the performance targets set by the municipality in its intergraded development plan required by regulation 6 of the MPPR.

#### **Financial statements, performance and annual reports**

72. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in an adverse audit opinion for the year under review.
73. The accounting officer neither submitted the council's oversight report on the 2009-10 annual report within seven days of its adoption (section 129(3) of the MFMA), nor did he make the annual report for 2009-10 public immediately after the annual report was tabled in the council (section 127(5) of the MFMA).
74. The report containing the council's comments on the annual report for 2009-10 was not adopted within two months from the date on which the annual report was tabled in the council as required by section 129(1) of the MFMA.
75. The performance report for the financial year under review was not prepared as required by section 46 of the MSA and section 121(3) (c) of the MFMA.

#### **Audit committee/performance audit committee**

76. The audit committee did not advise the council, the accounting officer and the management staff of the municipality on matters relating to accounting policies and performance evaluation. It also did not review the annual financial statements and also did not meet at least four times a year (section 166 of MFMA).
77. The performance audit committee or another committee functioning as the performance audit committee did not review the quarterly reports of the internal auditors on their audits of the performance measurements or submit a report to the council regarding the performance management system at least twice during the financial year (MPPR regulation 14).

#### **Procurement and contract management**

78. It was not possible to determine whether goods and services with a transaction value of between R10 000 and R200 000 were either procured without obtaining written price quotations from at least three different or quotations had not been obtained at all (Supply Chain Management (SCM) regulation 17) due to the lack of documentation provided.
79. Adequate documentation was not submitted to confirm that quotations were accepted from suppliers who are not on the list of accredited prospective providers and sufficient or that they meet the listing requirements of SCM regulations 16 and 17.
80. Sufficient evidence could not be obtained that goods and services with a transaction value above R200 000 were procured by inviting competitive bids as per the

requirements of SCM Regulations 19(a) and 36(1), or that bid specifications for procurement of goods and services were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services (SCM regulation 27).

81. Due to the lack of evidence it was not possible to confirm that awards were granted in terms of criteria that were stipulated in the original bid documents as per the requirements of SCM regulations 21(b) and 28(1). Sufficient evidence could also not be provided to confirm that, in all cases, invitations for competitive bidding were advertised for 30 days (SCM regulation 22), that bid specifications were the product of a bid specification committee (SCM regulation 27) or that bids were evaluated by properly composed bid evaluation committee (SCM regulation 28).
82. Inadequate audit evidence could not be obtained to confirm that final awards and/or recommendation of awards to the accounting officer were made by an adjudication committee that was constituted in terms of the requirements of SCM regulation 29.
83. Sufficient audit evidence could not be obtained to confirm that awards were made to suppliers who were able to provide tax clearance certificates stating that their tax matters declared by the South African Revenue Service are in order as required by SCM regulation 43.
84. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship with a person employed by the state as per the requirements of SCM regulation 13(c).
85. Due to the lack of audit evidence it could not be confirmed that all items over R30 000 were procured in terms of the preference point system that is prescribed by section 2 of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPF Act) and SCM regulation 28. It was also not possible to obtain confirmation that, in all cases, awards were made to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the various sections of PPPF Act and its regulations. Insufficient evidence could not be obtained to ascertain that awards were made to suppliers that scored the highest points as required by section 2(1) (f) of PPPF Act.
86. The performance of contractors or suppliers was not monitored effectively on a monthly basis as required by section 116(2) of the MFMA.
87. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered and qualified for the contract in accordance with the various prescripts of the Construction Industry Development Board (CIDB).
88. Awards were made to suppliers whose principal shareholders are persons in the service of other state institutions, in contravention of the requirements of SCM regulation 44. Furthermore, sufficient and appropriate audit evidence could not be obtained that the provider declared that he is in the service of the state as required by SCM regulation 13(c).

### **Expenditure management**

89. The amount owing by the municipality to creditors was not always paid within 30 days of receiving an invoice, as is required by section 65(2)(e) of the MFMA. In certain cases it was not possible to determine that suppliers were paid within 30 days of receiving an invoice or statement, due to the lack of documentation provided.
90. All reasonable steps were not taken to ensure that the municipality had and maintained an effective systems expenditure control and management. Furthermore, inadequate steps were not taken to ensure that the accounting and information system which recognised expenditure and accounted for creditors of the municipality functioned effectively (section 65(2) of the MFMA). Sufficient appropriate steps were also not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.
91. The municipality did not determine whether unauthorised, irregular or fruitless and wasteful expenditure resulted from inappropriate actions of officials and thus did not take steps to recover amounts from officials where they were negligent or in any other way caused the municipality to breach the requirements of section 32(2) of the MFMA.

### **Transfers and conditional grants**

92. In certain cases the financial management grant, municipal infrastructure grant, municipal systems improvement grant and tourism training grant were not utilised for the purposes for which they were made available in terms of section 15(1) of the DoRA. It was also not always possible to determine whether these grants had been used for their intended purpose due to the lack of documentation that could be made available.

### **Revenue management**

93. Adequate steps were not taken to ensure that the municipality had and maintained an adequate management, accounting and information system which recognised revenue when it is earned, accounted for debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.

### **Asset management**

94. Adequate mechanisms did not exist to ensure that internal controls and the accounting and information systems relating to asset management (section 63(2)(a) of the MFMA).

### **Personnel expenditure and councillors' remuneration**

95. Section 124(1) of the MFMA prescribes that the detail of salaries, allowances and benefits of all political office-bearers, councillors, the municipal manager, the chief financial officer, every senior manager and such categories of other officials should be disclosed in the financial statements. The municipality did not disclose this detail in its notes to the financial statements as required by this provision.

### **INTERNAL CONTROL**

96. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for adverse opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

**Leadership**

97. Management has not always acted decisively in addressing audit findings of the previous financial year. This resulted in material deficiencies not being sufficiently addressed to avoid similar finding again being reported. This was caused by the lack of oversight and effective leadership.
98. The leadership does not exercise sufficient control and direction to ensure that there is a general regard and compliance for laws and regulations that govern the municipality. This resulted in significant irregular expenditure being incurred, often not being detected by the municipality but rather through the audit process. The lack of action taken to address the irregular expenditure reported in the previous financial year is also an indication of management's reluctance and willingness to address the non-compliance with laws and regulations.
99. The risks relating to predetermined objectives were also not adequately identified and addressed by management. This resulted in inadequate structuring of the performance reporting process and an inability to support actual achievements with reliable and relevant documentation. It also gave rise to inadequate monitoring and review and culminated in many service delivery objectives and targets not being met.

**Financial and performance management**

100. Sufficient attention was not given to the strategic financial management direction and control. Consequently, many of the prior year audit findings were not addressed and were raised again during the financial year under review. Proper record keeping was not maintained to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. This was despite the municipality making use of financial consultants to carry out a leading role in the compiling of annual financial statements.
101. The material misstatements and lack of available supporting documentation bear testimony to the lack of review of transactions at all levels of financial management. Furthermore, accounting disciplines are not in the form of regular daily, weekly and monthly reconciliations and review.
102. The overriding root cause of the inability of the municipality to accurately record and provide support for financial transactions is that officials are not in all respects fulfilling their assigned duties and functions with the required diligence and enthusiasm.

**Governance**

103. The audit committee continues to play a limited role in governance matters. The audit committee issues the reports of internal audit to the council without making a direct contribution by informing the council or the oversight committee of its concerns and recommendation in terms of its legislated mandate. The audit committee does not promote accountability through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

## OTHER REPORTS

### Investigations

104. An investigation is being conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on fraud relating to prepaid electricity.
105. The investigation was still ongoing at the reporting date.

*Auditor-General*

East London

30 November 2011



*Auditing to build public confidence*

#### **4.2.1 Mayor's analysis of Auditor General's Report**

##### **BACKGROUND**

Firstly, it is important to note that the Audit Report 2009/10 was only received in April 2011. The local elections took place on 18 May 2011 and the Auditor General's report with the business plan was only tabled to Council on 15 June 2011.

The next round of auditing already started in July 2011. There was a request from the Auditor General to audit the trial balance as on 31 May 2011. There was also a request from the Auditor General to start earlier in order to have the Audit completed on 31 October 2011.

The consultant, Altimax, assisted by the personnel started compiling the Annual Financial statements in July / August 2011. Thus, a bottleneck developed which was impossible for the Finance Department to handle.

Furthermore, it was impossible to implement the business plan to address the Auditor General's 2009/10 report, which was normally tabled to Council in December. There were thus no rectifications done from the previous book year!

##### **PERSONNEL**

The Baviaans Council was already warned by internal auditors; Audit Committee and the Auditor General as far back as 2009 that controls in the Finance Department were poor or non-existent. This lead to Council appointing three accountants who had to assist the CFO and implement controls.

Attached to this document are the job descriptions of the three accountants. There is emphasis on the accountants because they were appointed to address the lack of control.

In anticipation to the Audit process 2010/11 the following problems in terms of personnel were highlighted:

- 1) Personnel in the Finance Department was not using the SAMRAS system correctly
- 2) The Accountants could not fulfil their control function as prescribed in their job descriptions
- 3) The CFO experienced problems in terms of:
  - Compilation of financial statements in GRAP format
  - Management function in his department
  - Manage working time effectively

##### **FINANCIAL SYSTEM**

SAMRAS is the system on which the financial figures are handled. SAMRAS is currently employed the top six municipalities in the country. Thus, it is not the SAMRAS system, which is the problem, but aspects like:

- 1) Comprehension of the system
- 2) Communication with the system
- 3) Rectification of figures on the system

Baviaans is a very small municipality and therefore must compete with bigger and stronger municipalities for the attention of SAMRAS.

## **REASONS FOR OPINION (DISCLAIMER)**

### **I. Controls**

During evaluation of the 2010 /11 Audit report, it is clear that most of the qualifications are due to lack of controls, for example:

Qualifications: 5; 12; 15; 35; 38; 39; 40; 42; 44 (Lack of documentation)

### **II. 2009/10 Results not correctly rectified**

- 1) Due to the late presentation of the 2009/10 Audit report, qualifications of AFS 2009/10 were not rectified, for example number 10
- 2) Due to the problems with the SAMRAS system an age analysis for creditors could not be done on 30 June and the consultants who compile the financial statements did adjustments of creditors without evidence – number 8 / 50 (Creditors as on 30 June)
- 3) VAT not brought over from 2009/10 – number 21
- 4) VAT not adjusted – number 22
- 5) The Auditor General experienced problems with the assessment of the provision for landfill site in 2009/10. Adjustments were done without documentation
- 6) Previous year's surplus incorrectly displayed – R 436 000 – number 42
- 7) Adjustment to trade and other payables – number 50 (see [2] above)

### **III. Uncertainty about qualifications from the side of the Municipality that must still be clarified**

- 1) R 1, 3 million: No documentation for grant revenue – number 12 and 40
- 2) R 624 979: Wrongful spending of allocation – number 17
- 3) R 8, 4 million short term creditors which does not make the municipality financially sustainable according to the Auditor General – number 53
- 4) Adjustments of yearend figures 2009/10 – number 36 and 43
- 5) IAS 19. Employment benefits – number 48
- 6) R 2, 4 million not spent according grant conditions – number 18

### **IV. Supply Chain**

The biggest qualifications are in terms of Supply Chain

- 1) Lack of documentation – number 15
- 2) Wrongful handling of processes – number 16

### **V. Incorrect calculation**

- 1) Interest incorrectly calculated as Grant income – number 13
- 2) Incorrect documenting of figures – number 9
- 3) Incorrect classification of investments – number 51

## **VI. Provision for bad debt**

Incorrect calculation on financial statements – number 39; 40

## **VII. Qualifications for reference to Altimax, compilers of the financial statements**

- 1) Wrong figures used – number 54 and 55
- 2) VAT incorrectly classified – number 52
- 3) Calculation of providence – number 39 and 40
- 4) Remuneration of Councillors incorrectly classified – number 46
- 5) GRAP. 19 – wrong directive followed – number 45
- 6) Over spending not defined – number 18. R 6,3 million (Approval for over spending not obtained or not considered)
- 7) Assets from previous year's audit report not changed – number 29

Altimax's response is attached

## **VIII. VAT**

- 1) No documents due to problems with SAMRAS – R 508 169 – number 19
- 2) VAT – over declaration – R 406 218 – number 20

## **IX. Assets**

The management of assets, compiling of asset register and unbundling of assets is currently a big problem as noted in the qualifications – number 24; 25; 26; 27; 28; 31 (GRAP compliance)

## **X. Other qualifications**

- 1) R850 000 was allocated to the municipality for job creation. During the book year R 2,7 million worth casual work was created and there was a dispute whether it should be part of salaries or not. This was solved in the first Audit process – see number 6
- 2) Although not a physical bank overdraft the bank account showed an overdraft (R 289 375 – without the proper consent) – number 32
- 3) IAS 39 – obligations not paid on 30 June due to cash flow problems – number 33

## **SUMMARY**

In the evaluation of the Audit Report 2010/11, some aspects stand out:

- 1) In some instances, an incorrect calculation caused more than one qualification.
- 2) There are numerous mistakes in the previous financial year's statements (2009/10) which were carried over without being adjusted
- 3) Huge problems are still experienced with the implementation of the municipal Supply Chain Policy.
- 4) Inaccurate data contributes largely to wrong VAT claims. Qualifications on VAT claims are largely because of an inaccurate date put into the system.
- 5) The use of the SAMRAS systems contributes to qualifications
- 6) Lack of control systems on a daily, weekly and monthly basis

- 7) The conversion to GRAP still causes problems
- 8) The municipality is not capable of displaying its assets in the new format
- 9) That the personnel (accountants) who have to do preparations for the compilation of the financial statements (see job descriptions and compare it with qualifications from AG) have to be part of the process.
- 10) That Section 57 managers apart from the CFO must fulfil their obligations in terms of the MFMA Section 78 (1 & 2)
  - Overspending of budgeted votes
  - Payments from the correct votes
  - Spending of funds according to the allocation
- 11) It is clear that confusion about the Auditor General's auditing process exists due to lack of communication
  - Commencement and time of Auditing
  - Handling of municipal files in the Audit process
  - Communication between Auditors and municipal officials
  - Effectiveness of Audit Steering Committee (It is essential that minutes are kept of outstanding issues as well as issues that are agreed upon)
  - Consultants to be part of Steering Committee. Communication of consultant to Auditor General to be minuted
  - Independent person to do the minutes of Steering Committee
- 12) That the use of journals should be avoided as far as possible
- 13) Bank reconciliation should be done correctly from 01 July and has to correspond with the main ledger on the system

E. Loock

**Mayor / Speaker**

**Baviaans Municipality**

**Ewald Loock**

## RESPONSE TO AUDIT REPORT – BAVIAANS MUNICIPALITY

The following points were raised by the mayor Mr Ewald Loock in my telephonic conversation with him. He required response to the following points.

### NOTE 18 UNAUTHORIZED EXPENDITURE

The amount of unauthorized expenses was provided by the CFO. We were never informed of the differences between the amounts of the AFS and the AG. The disclosure as requested by the AG would not have been a problem and could have resulted in a removal of this disclaimer paragraph.

### NOTE 29 PPE

According to me all PPE adjustments for the prior year as per the previous audit report were corrected in the current financial year. Could the AG please indicate how they calculated these amounts.

### NOTE 39 TRADE RECEIVABLES

We never received any communication regarding this paragraph. According to me we provided the AG with working papers as to how we calculated the provision of R901 411.

### NOTE 40 TRADE RECEIVABLES

As indicated in our response to the prior year audit report the provision for doubtful debts was not calculated on the 31 March 2010 figures. This was an error on our behalf as the working papers for this amount indicated 31 March 2010. The figures used however were for 30 June 2010.

### NOTE 46 & 47 REMUNERATION OF COUNCILLORS

We never received communication regarding the differences in disclosure. This could be rectified quite easily.

### NOTE 52 DISCLOSURE OF VAT

We never received communication regarding the disclosure of VAT as a financial instrument

Head Office: Unit 1 Berkley Office Park 8 Bauhinia Avenue Highveld Centurion 0157 South Africa

Eastern Cape Office: 115 Western Avenue Vincent East London 5247 South Africa

Free State Office: 86 Kellner Street Westdene Bloemfontein 9301 South Africa

Postal Address: PO Box 6943 Halfway House 1685 South Africa

Satellite Offices: Adelaide Cape Town Cradock De Aar Graaff Reinet Newcastle Somerset East Vryheid

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B-BBEE Level 4 contributor

Directors: MG de Wet AGA(SA) (Executive Chairperson) A Carstens CA(SA) (MD)

Senior Executive: N Slogrove MBA

Executive: E Stander Professional Accountant (SA)

This disclaimer is due to the accumulated differences/mistakes and would be influenced if some of the issues raised in the audit report are addressed.

## **GENERAL**

Please note that we at Altimax only received the Management Report for the first time on 26 October 2011 as per the last audit steering committee meeting. After discussions with Mr Vumazonke, we were informed that it would not be necessary to respond to the issues raised as it would not have any effect on the audit report.

We believe that the municipality's future audit reports can improve if the day to day accounting functions are being controlled. This includes the daily and monthly reconciliations as well as accurate record keeping and filing.

We trust that you will find our response useful and appropriate.

Regards

ALTIMAX



#### **4.2.2 Business plan to address Auditor General's Report**

Action plan to address Audit Report 2010/11

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
Lack of controls as pointed out in qualifications	1) Development of report format (Monthly reports to MM; Mayor; Council on expenditure) <ul style="list-style-type: none"> <li>– Supply Chain Management – comply with requirements</li> <li>– Expenditure (essential documentation required)</li> </ul> 2) Monthly meetings of Income (CCRC) and expenditure (Supply Chain)*           3) Training to departmental personnel who work with supporting documentation           4) Appointment of Senior clerk in Finance to do the filing of documentation           5) Rectification of documentation problems as from 01 July 2011 – See KPMG report           6) Implementation of procedures for customization	1) CFO / Strategic manager 2) Accountant – Income and Expenditure. To be attended by Chief Accountant 3) Corporate Services manager 4) Corporate Services manager 5) Accountant Expenditure 6) CFO & Accountants	1) 15 December 2011 2) Before 18 <sup>th</sup> of each month 3) Before 20 January 4) Before 01 January 2012 5) Before 20 January 2012 6) From 01 January 2012

- Agenda: CCRC meeting:
  - Review of debtors and debtor control
  - Indigent policy
  - Write-offs
  - Payment rate
  - Depositos not
  - Credit policy
  - Customization Policy

- Agenda: Expenditure meeting:
- SCM policy
  - Supporting documents
    - monthly report on transactions
    - payroll reconciliation
  - VAT claims
  - Credit control
  - Customization Policy

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
Problems with SAMRAS	1) Creditors and VAT to be rectified as from 01 July 2011 – see KPMG report 2) Support contract with SAMRAS which includes training 3) Opening of Supply Chain system on SAMRAS 4) Application for pilot site 5) Appointment of Manager: Systems	1) CFO / SAMRAS 2) MM 3) MM 4) MM 5) Corporate Services Manager	1) 15/12/2011 2) 15/12/2011 3) 20/11/2012 4) 15/12/2011 5) 01 January 2012

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
VAT claims	1) Negotiate with AG for clean start 01 July 2011 2) Application for monthly submission VAT claims 3) Conclusion of outstanding VAT claims 4) Timeous submission of claims 5) Training to relevant personnel 6) Control Master file on SAMRAS	1) MM / CFO / SAMRAS 2) MM 3) MM / Maxprof 4) Expenditure Accountant 5) Corporate Services Mng; SAMRAS; CFO 6) Manager: Systems	15/01/2012 15/12/2011 31/01/2012 10 <sup>th</sup> of each month 31/01/2012 When appointed – CFO

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
Personnel and personnel files	<p>1) Sharpening of discipline. Do work for which appointed. Develop a code of discipline</p> <p>2) Sec 57 managers comply with legislation MFMA Sec 78 (1&amp;2)</p> <p>3) Appointment of person to manage Action plan to address AG Report</p> <p>4) Appointment of person to monitor SAMRAS daily</p> <p>5) Determine capacity of CFO</p> <p>6) Conclusion of restructuring of personnel (See Annexure 1)</p> <p>7) Internal Communication plan</p>	<p>1) MM/ Strategic Mng / Corporate Services Mng</p> <p>2) MM</p> <p>3) MM</p> <p>4) MM / Corp Service to advertise</p> <p>5) MM</p> <p>6) MM; CSM</p> <p>7) Strategic Mng</p>	<p>Ongoing</p> <p>Ongoing</p> <p>01/12/2011</p> <p>31/01/2012</p> <p>31/01/2012</p> <p>31/01/2012</p> <p>15/12/2011</p>

Reason for Disclaimer	Action	Responsible	Date
Other			
1) Wrongful spending of Grant Money	1) Monthly report to council on spending of Grant Money (MIG and other funds)	TSM / CFO	Monthly report
2) Risks for 2011/12	2.	Strategic Mng	Monthly report
a) Incorporation of DMA areas into Baviaans	a) Execution of business plan and monthly review	All managers	Monthly
b) Cash flow problems 2011/12	b) Monthly <ul style="list-style-type: none"> <li>i. Cash flow report</li> <li>ii. Inform MEC</li> <li>iii. Effective adjustment budget</li> </ul>	CFO Mayor CFO MM	Monthly 25/12/2011 31/01/2011
c) Unbundling of assets	c) Apply for funds	MM / Corporate Services Mng	28/02/2012
d) General Valuation 2012/13	d) Apply for funds		30/03/2012

Reason for Disclaimer	Action	Responsible	Date
Unbundling of assets and correctness of asset register	1) Apply for funds 2) Update of Asset Register 3) Rectify asset register from 01 July 2011	1) MM 2) Chief Accountant 3) CFO / SAMRAS / Chief Accountant	1) 28/02/2012 2) Monthly 3) 30/03/2012
Shortage of capacity to compile AFS	1) Comments from consultant 2010/11 2) Appointment of Consultant 2011/12 3) Rectification of previous year's qualifications 4) Bi-laterals with consultants on AFS 2011/12	1) MM 2) Council / MM 3) Consultant 4) MM / CFO / consultant	1) 15/12/2011 2) 30/03/2012 3) 30/06/2012 4) 15/07/2012

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
Lack of Controls	<p>Check:</p> <ul style="list-style-type: none"> <li>• Weekly work done – accountants</li> <li>• Checklist to compile monthly accounts</li> <li>• Evaluation of Expenditure and supply chain control forms</li> <li>• Control of monthly VAT claims</li> <li>• Control of list of reports to Department &amp; National Treasury</li> <li>• Checklist on Annual Report</li> <li>• Monthly Financial report to Mayor</li> <li>• Correctness of Bank recon</li> <li>• Leave: <ul style="list-style-type: none"> <li>– Checklist on all personnel files</li> <li>– Leave update</li> </ul> </li> <li>• Control of journals done (supporting documents)</li> </ul>	MM Strategic Manager Strategic Manager CFO Strategic Manager Corporate Services Mng CFO CFO Corporate Services Mng Strategic Manager	Weekly Monthly Monthly Monthly Monthly Yearly 10 <sup>th</sup> of the month Monthly 15 January 2012 Monthly Monthly

<b>Reason for Disclaimer</b>	<b>Action</b>	<b>Responsible</b>	<b>Date</b>
Due to late audit process 2009/10 no work being done on previous business plan	Previous year's business plan be addressed simultaneously with business plan 2010/11 (Addendum B to Business plan)	Strategic Manager	30/06/2012
Not ready for Audit process of AG	1) "Audit readiness" audit 2) Rectifications to be made out of (1) 3) Trial balance as on 31/05/2012	1) KPMG / MM 2) CFO / Strategic Mng 3) CFO / Strategic Mng	30/04/2012  31/05/2012  31/05/2012
Section 57 managers not contributing to Financial controls	Section 57 managers to be informed on MFMA Section 78 (1 & 2)	Section 57 managers and Strategic manager to monitor	Daily



**5.1 RESTRUCTURING AND REVIEWING OF THE BAVIAANS MUNICIPAL ORGANOGRAM**

**RESOLVED**

1. That council approves the Revised Organogram as presented by the Municipal Manager. The EPWP organogram will stay as is.
2. That the process of re-structuring be phased in
  - (a) Traffic and Protection Services be implemented in March 2012
    - (i) Superintendent: Traffic & Protection
    - (ii) Fire Officer: Steytlererville
    - (iii) Cashier: Traffic Services
  - (b) Management representative for licenses be part time till Superintendent: Traffic & Protection is appointed.
  - (c) Clerk Expenditure; Clerk Customer Care Steytlererville; Clerk Customer Care Willowmore, be advertised as a second phase
  - (d) 4 x General Workers: Rietbron (Permanent Posts)
3. **That the following posts be advertised internally or externally – depending on recommendation no 13 after assessment.**
  - (i) IT & Programme Manager: Office of the MM
  - (ii) Driver Specialty: Rietbron
  - (iii) Junior Librarian: Rietbron
4. That the following posts be advertised internally.

(i) Administrator: Demand & Acquisition: SCM	T 9
(ii) Administrator: Logistics & Disposal: SCM	T 9
(iii) Principle Clerk: Rietbron	T 7
(iv) Clerk: Rietbron	T 5

(v)	HR Officer: Willowmore	T11
(vi)	Foreman: Rietbron	T 4
(vii)	Junior Artisan: Electricity x 2	T 8
(viii)	Fire Officer: Willowmore	T10
(ix)	Senior Clerk: Technical Services: Steytlererville	T 6
(x)	Administration Officer – Community Services	T11
(xi)	Tourism Officer: Steytlererville	T11

5. Resolved that the following posts and salaries be in line with the Bargaining Council's task grades:
- (i) Receptionist to Senior Clerk
  - (ii) All secretaries to personal assistants
  - (iii) Administrator Technical Services: Higher notch (Also PMU Unit)
  - (iv) Hall attendant to Handyman
  - (v) General Worker Baviaanskloof to Handyman
  - (vi) Tourism Officer Willowmore : Higher notch (Also Libraries)
  - (vii) Archive & Filing Clerk to Principal Clerk: Archive & Filing
6. That strategic management be part of Community Services and report to Municipal Manager on strategic management. (Driving of Audit Report)
7. Manager's Assistant: Rietbron be dealt with by the Municipal Manager on a contract basis.
8. All three accountants be placed in the Willowmore Admin Unit
9. That the CFO investigate the financial implications of the re-organisations and that through the Virement Policy that funds be made available to implement the re-structuring until the adjustment budget at the end of January 2012.
10. That the above re-structuring be referred to the Local Labour Forum after which implementation will follow.

11. Time frame: Internal adverts: 1 November 2011  
External adverts: 3 (ii) & 3 (iii)  
and 3 (i) Date to be determine by the  
Municipal Manager  
Bargaining council task grades:
12. Post that might become vacant because of internal re-organisation will be advertised externally.
13. That an independent, outside body be appointed to assess the capacity of the Financial Department.
14. That council make use of a Labour Consultant were necessary in this re-structuring process.



BASIS FOR DISCLAIMER OF OPINION

AG Report	Issue	Reason	Action to be taken	Who	Timeframe
4 & 7	Journals not done or without back-up documentation ± R21 million	Audit evidence could not be found	1. (i) Appoint consultant to do AFS (ii) Meeting with consultant (iii) Meeting with Auditor (E & Y) on audit readiness (iv) Meeting with SAMRAS on trial balance 2. Appoint team to do audit on audit readiness. 3. CFO to ensure that trail balance agree with AFS	(i) Management (ii) CFO (iii) MM (iv) CFP  MM  All managers	(i) 17/6/11 (ii) 24/6/11 (iii) 15/7/11 (iv) 23/7/11  6/6; 8/6; 30/6; 4/7; 15/8; 31/8; 30/9  15/8/11
5	Debtors of 5.1 overstated with R623 645	Debtors not regularly reviewed	1. Debtors to be reviewed for audit readiness 2. Monthly report on debtors and payment rate. 3. Analysing of debtors to determine age of debtors. 4. Agreement on debtor system vs. payment rate and write offs.	CFO  Chief Accountant  Income Account/CFO  CFO	1/7/10 - 30/6/11  10 <sup>th</sup> of each month  22/6/11/ 30/6/11  Monthly

AG Report	Issue	Reason	Action to be taken	Who	Timeframe
6	Provision of bad debt under stated	Wrong date used	1. Calculate debtors on 30 June 2011. 2. Debtor accountant to list debtors not receivable for write off. 3. Reconcile debtors 4. Make provision in budget and AFS for right amount.	J Doyle  Debtor accountant  CFO  CFO	30 June 2011  30 June 2011  30/6/11  30/6/11
8	Trade payables overstated by R723 745	No efficient oversight over creditors	1. Meeting with SAMRAS on correctness of creditors and more frequent reconciliation with creditor's ledger. 2. Creditors list to be reconciled for audit readiness (i) Meeting with SAMRAS (ii) Consultant 3. Monthly report on creditors to council. (30 days and more).	CFO  CFO  Chief Accountant	23/6/11  (i) 23/6/11 (ii) 24/6/11  10 <sup>th</sup> of each month
9	No evidence for the debt impairment expenditure – R497 383	Lack of effective control over expenditure	1. Effective Supply Chain Policy 2. Appointment of expenditure accountant to oversee and control expenditure 3. Audit readiness of expenditure files 4. Monthly report to council on expenditure	CFO  Management  Chief Accountant  Chief Accountant	Done  Done  15/7/11  10 <sup>th</sup> of each month

AG Report	Issue	Reason	Action to be taken	Who	Timeframe
10	No evidence of VAT owed to the municipality as stated in the AFS and non-compliance with the Value Added Tax Act	Lack of oversight over VAT claims	1. Ensure an up to date tax clearance certificate. 2. Appoint a senior manager of staff to oversee SARS issues and compliance with Act. 3. Meeting with Maxprof to reconcile VAT claims with SARS. 4. Meeting with AFS consultant to ensure figures in AFS correspond with SARS.	MM  Chief Accountant  MM/CFO/Chief Acc  CFO	31/8/11  Done  Bi-monthly reports to Council 15/8/11  Before 15/7/11
11	No supporting documentation for journals	a) Errors to AFS b) Shortcomings to asset register	1. Ensure correctness of AFS (i) Meeting with consultants (ii) Communication between Altimax and Municipality 2. Appoint senior employee to do oversight on asset register 3. Audit readiness of asset register	(i) CFO (ii) CFO  Chief Accountant  Chief Accountant	(i) 24/6/11 (ii) Ongoing  Monthly  15/7/11
12	Misstatements in AFS	No proper oversight over a) Audit readiness of Baviaans municipality b) Correctness of AFS	1. Meeting on Audit readiness with (i) Consultant (ii) Steering Committee Meeting-Auditor- Pre Audit (iii) Senior management to be appointed to do checklist on audit readiness	(i) MM/CFO (ii) MM  MM	(i) 24/6/11 (ii) 15/7/11  15/8/11

AG Report	Issue	Reason	Action to be taken	Who	Timeframe
13	Individual accounts misstated – R580 947	Lack of control over individual accounts	<p>1. Policy on capitalization vs. maintenance and repairs expenditure to be sorted out</p> <p>2. Income and expenditure accounts to</p> <ul style="list-style-type: none"> <li>(i) Control accuracy of revenue; expenditure and employee cost.</li> <li>(ii) allocation of interest</li> </ul> <p>3. Individual accounts to be reviewed for audit readiness</p>	CFO – meet with AG re Grip Std's Get clear policy  Chief accountant & 2 x Accountants  CFO	15/7/11  Monthly reports to council  15/7/11



#### **4.3 THE AUDIT COMMITTEE REPORT**

The Audit Committee functions are as follows:

- Internal financial controls and internal audits
- Risk Management
- Accounting policies
- The adequacy, reliability and accuracy of internal reporting and information
- Performance management
- Effective governance
- Compliance with the MFMA and DORA and any other applicable legislation
- Performance evaluation
- Review of Annual Financial Statements
- Respond to council on any issues raised by the Auditor-General
- Carry out investigation as the council requests

The Audit Committee report was not available when printing of this document commenced and is attached as a separate document.

#### **4.4 BUDGET TO ACTUAL COMPARISON**

Included in AFS as above

#### **4.5 GRANTS AND TRANSFER SPENDING**

Included in AFS as above

#### **4.6 MEETINGS OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS**

All conditions were met.

#### 4.7 LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

Long-term contracts are those contracts that extend over a period of more than 12 months. Baviaans Municipality entered into the following long-term contracts during the year under review:

Lease register as lessee										
Municipality:		BAVIAANS MUNICIPALITY								
Date:	2011/08/10									
Year end:	30/06/2011									
Purpose:	List all operating and finance leases with their fair values									
Prepared by:	Wiid Rossouw									
Reference:	List of leases									
Unique Contract Number	Lessor (Supplier from which asset is leased)	Item leased	Commencement/contract inception date	Month started (month of escalation)	Period of lease	Escalation %	Amount per month (excl vat, or total amount if not registered for VAT)	Operating / finance lease (as determined in worksheet 2.1)	Fair Value (excl vat)	Cost per AFS
1 - 781580	Technologies Acceptances	Xerox Workcentre 7328	2008/11/26	2008/12/01	60	0%	1,750.00	FL	120,000.00	74,221.49
2 - 653148	Technologies Acceptances	Xerox Workcentre 7232	2008/01/24	2008/02/01	60	0%	1,574.56	FL	80,000.00	67,730.72
3 - 697754	Technologies Acceptances	Xerox Workcentre 4118	2008/05/14	2008/06/01	60	0%	293.86	FL	15,000.00	12,506.67
4 - 476483	Technologies Acceptances	Xerox Workcentre 128	2005/11/09	2005/12/01	60	0%	1,399.12	FL	100,000.00	65,663.52
5	Nashua Finance	Digital Copier (AF1515MFP)	2006/10/01	12	60	15%	432.00	FL	17,650.00	17,650.00
6 - 380917	ABSA Bank	Toyota Yaris 1.3 T3 (DWW780EC)	2007/10/26	2007/10/26	60	0%	2,888.17	FL	120,377.23	120,377.23
7 - 381213	ABSA Bank	Isuzu KB200i Fleetside (DWY391EC)	2007/10/25	2007/10/25	60	0%	2,930.73	FL	106,378.00	106,378.00
8 - 381214	ABSA Bank	Isuzu KB200i Fleetside (DWY456EC)	2007/10/25	2007/10/25	60	0%	2,930.73	FL	106,378.00	106,378.00
9 - 381215	ABSA Bank	Isuzu KB200i Fleetside (DWY463EC)	2007/10/25	2007/10/25	60	0%	2,930.73	FL	106,378.00	106,378.00
10 - 384519	ABSA Bank	Toyota Dyna 7-105 Freighter (DZG002EC)	2007/12/20	2007/12/20	60	0%	7,830.69	FL	358,688.00	358,688.00
11 - 383043	ABSA Bank	Toyota Dyna 6-104 Freighter (DZG557EC)	2007/11/27	2007/11/27	60	0%	4,576.33	FL	193,420.00	193,420.00
12 - 383046	ABSA Bank	Toyota Dyna 6-104 Freighter (FBG378EC)	2007/11/27	2007/11/27	60	0%	4,576.33	FL	193,420.00	193,420.00

		(FBG378EC)								
13 - 383045	ABSA Bank	Toyota Dyna 6-104 Freighter (FCM397EC)	2007/11/15	2007/11/15	60	0%	4,833.36	FL	208,970.00	208,970.00
14 - 411720	ABSA Bank	Toyota Corolla 1.4 Adv. (FCS512EC)	2008/11/12	2008/11/12	60	0%	3,382.05	FL	142,554.81	142,423.30
15 - 432654	ABSA Bank	Opel Corsa Utility 1.4 (FHP080EC)	2009/11/10	2009/11/10	60	0%	2,561.14	FL	95,796.58	95,796.58
16 - 443051	ABSA Bank	Ford Bantam 1.6i (FKV266EC)	2010/06/11	2010/06/11	60	0%	3,057.48	FL	108,003.11	108,003.11
17 - 711116	Technologies Acceptances	Xerox Workcentre 118	2008/06/13	2008/07/01	60	0%	767.54	FL	45,000.00	32,322.45
18 - 843957	Technologies Acceptances	Xerox Workcentre 5225	2009/11/17	2009/12/01	60	0%	1,837.72	FL	90,000.00	86,774.01
19 - 843958	Technologies Acceptances	Xerox Workcentre 7428	2009/11/17	2009/12/01	60	0%	2,013.16	FL	120,000.00	95,007.68
20 - 711095	Technologies Acceptances	Xerox Workcentre 128	2008/06/13	2008/07/01	60	0%	1,039.47	FL	100,000.00	43,773.83
21	The Rental Company	Philips Digital Conference System	2008/03/12	2008/04/01	60	0%	1,575.00	FL	46,790.00	46,790.00
22	Gestetner	Gestetner Copier 1802	2003/12/17	2004/01/01	60	15%	170.98	FL		33,522.91
23 - 455287	ABSA Bank	Ford Bantam 1.3i	2011/02/10	2011/02/10	60	0%	2,516.87	FL	82,501.57	82,501.57
24 - 455288	ABSA Bank	Ford Bantam 1.3i	2011/02/10	2011/02/10	60	0%	2,516.87	FL	82,501.57	82,501.57
25	Nashua Finance	Digital Copier (MPC2030AD)	2009/09/01	2009/09/01	60	15%	1,500.00	FL	65,000.00	65,000.00
26	Technologies Acceptances	Xerox Copier DC252	2010/04/15	2010/05/01	60	0%	8,995.00	FL	375,000.00	375,600.00
27	Technologies Acceptances	Xerox Workcentre 7120	2011/02/15	2011/03/01	60	0%	1,295.00	FL	62,000.00	62,600.00
28 - 444840	ABSA Bank	Hino 300 814 Lwb 4x2 F/C	2010/07/02	2010/07/02	60	0%	6,709.54	FL	279,483.62	279,483.62
29 - 846555	Technologies Acceptances	Xerox Workcentre 4118	2010/05/07	2010/06/01	60	0%	385.00	FL	20,000.00	18,271.17

Approved By: Mayor

Ewald Loock

Signature:

E. Loock

Date:

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Municipal Manager:

JZA Klemzowice

Signature:

JZA Klemzowice  
18 JANUARY 2012

#### **4.8 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY**

	<b>Indicator name</b>	<b>Target set for the year R(000)</b>	<b>Achievement level during the year R(000)</b>	<b>Achievement percentage during the year</b>
<b>1</b>	Percentage of expenditure on capital budget	11650	10279	88,23%
<b>2</b>	Salary budget as a percentage of the total operational budget	17161	15696	39,67%
<b>3</b>	Total actual trade creditors as a percentage of total actual revenue	6000	9612	21,47%
<b>4</b>	Total municipal own revenue as a percentage of the total actual budget	16000	16984	37,93%
<b>5</b>	Rate of municipal consumer debt reduction	3000	3871	25,54%
<b>6</b>	Percentage of MIG budget appropriately spent	11650	10279	88,23% *
<b>7</b>	Percentage of MSIG budget appropriately spent	735	581	79,04% *

\* The outstanding amount was paid in July 2011 and is not reflected in Annual Financial Statements

#### **4.9 ARREARS IN PROPERTY RATES AND SERVICES**

Rates: Ageing

0 – 90 days	97736
+90 days	<u>838010</u>
	<b>935746</b>

Services: Ageing

0 – 90 days	656956
+90 days	<u>2278821</u>
	<b>2935777</b>

#### **4.10 ANTI CORRUPTION STRATEGY**

Council approved the Anti Corruption Strategy and Fraud Prevention Plan on 31 May 2007.

The members of the Anti-Fraud and Corruption Committee are:

**Chairperson of the Audit Committee or any other member of the Audit Committee should the chairperson not be available; Internal Auditor; Municipal Manager; and Departmental Heads**

The Council approved the Whistle Blowing Policy and guideline for Fraud and Corruption investigation.

## **Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)**

### **5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS**

The Office of the Mayor oversees the Administration via various plans and reporting mechanisms. The IDP, as main planning tool for directing all activities of the municipality towards meeting community needs and yardsticks for measuring performance will be utilised to analyse actual performance of all functional areas.

In addition, the Office ensures valuable contact between the community, other Institutions or Organisations and the Municipality

This year 12 Ordinary and 4 Special Meetings of Council were held and attended by Councillors. Council has during the year under review approved numerous policies affecting the community. It has also continued the oversight role as required by legislation.

NAME	CAPACITY	POLITICAL PARTY	GENDER
E Loock	Mayor / Speaker	DA	Male
D Bezuidenhout	Councillor	DA	Male
H Booysen	Councillor	DA	Male
P Daniels	Councillor	ANC	Male
C Krisjan	Councillor	ANC	Female

### **5.2 PUBLIC PARTICIPATION AND CONSULTATION**

Mayoral Imbizos and implementation of issues rose

The mayor makes use of the following platforms for communication:

Council meetings

Workshops

IDP Steering Committee meetings

IDP Rep Forum meetings

Area Committee meetings

Baviaans Newsletter – distributed quarterly

- Consultations with the public took place according the IDP/Budget/SDF Review Process Plan that was adopted by Council.

05 November 2008 – IDP Rep Forum meeting, Willowmore  
05 November 2008 – IDP Rep Forum meeting, Steytlerville  
20 November 2008 – IDP Rep Forum meeting, Baviaanskloof  
15 & 16 January 2009 – IDP / Budget Workshop  
11 February 2009 – IDP Rep Forum meeting, Willowmore  
11 February 2009 – IDP Rep Forum meeting, Steytlerville  
02 March 2009 – IDP Steering Committee meeting  
31 March 2009 – Council meeting to approve amended project register and draft IDP 2009  
Customer satisfaction survey took place during November 2008. This survey formed part of the Institutional Performance of the Baviaans Municipality.

**Findings:**

The overall findings are generally positive and the perceptions that residents have of the municipality is that they see it as trying to provide good and effective service within the financial constraints within which it operates.

Ward committees' establishment and functionality

**5.3 AREA COMMITTEES: ESTABLISHMENT AND FUNCTIONALITY**

Baviaans municipality, because of its size, does not have ward committees. In terms of the Municipal Systems Act, the municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. In compliance to this Baviaans Municipality established Area Committees.

Regular meetings are taking place; minutes of the Area Committee meetings are available and tabled to Council.

**5.4 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING**

CDW's are operating in Baviaans Municipality. The fact that they are reporting to Provincial government and not to the municipality, the municipality can therefore not account and take responsibility for their activities. CDW's can better be utilised and be of assistance to the municipality if they were part of the structure of the municipality.

Baviaans Municipality is inviting CDW's to IDP Rep Forums, Area Committee meetings and all other activities.

**5.5 COMMUNICATION STRATEGY**

During the 2009/10 financial year, no funds were available for a Communication & Public Participation Strategy. Funds were obtained during 09/10 and therefore our plan will be ready by end June 2010.

The Communication Plan will fall under the Manager, Community Services.

## **5.6 INTERGOVERNMENTAL RELATIONS**

At this stage, Council does not have an Intergovernmental Relations Framework, but Baviaans Municipality participates in the following consultative forums:

Mayoral Forums  
Municipal Manager's Forums  
Technical MUNIMEC  
MUNIMEC  
Chief Financial Officer's Forum  
Cacadu IDP Forums  
Cacadu District Aids Council Forums

## **5.7 LEGAL MATTERS**

Baviaans Municipality does not have a legal unit because of its size, the municipal manager is dealing with all legal matters and making use of legal service providers where and when there is a need to do so.

Legal activity includes the following:

Drafting of contracts  
Legal advice on all legislation  
Drafting of by-laws  
Ensuring compliance with legislation  
Liaising with attorney regarding litigation  
Facilitation disciplinary action against employees  
Verifying claims against the Municipality

## 5.8 LOCAL GOVERNMENT TURN AROUND STRATEGY

The table below demonstrates Baviaans Municipality's Action Program to address the Key Performance Indicators in Local Government's Turn Around Strategy:

KPI	Problem Area	Intervention	Local Sphere. Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds Needed	
1. Water	Scarcity of water Steytlerville	(a) Erasmuskloof	BM/DPLG BM	a) Lobby for funds	Send a report on our motivation to the department, COGTA, DPLG, DWARF, CACADU; Our approach is to have a meeting with local government and COGTA. Councillor Bezuidenhout met with executive Mayor of Cacadu and the Mayor will meet with the minister of water affairs and discuss matter with him.	B Arends	2 weeks in case of a emergency	R69 m over 2 years  iii) R100 000.00  iv) R4000.00		54
		(b) Plan B for Steytlerville water supply		b) Establishment a water committee  c) Quality of water	i) Community awareness ii) Heavy water restrictions and iii) Upgrading of the northern scheme. iv) Instalment of water restrictors at toilets					
	Losses of water (i) Steytlerville (ii) Willowmore	Effective policy on indigent households Monthly reports to Council	BM	Reduce leaks Check meters for accuracy Repair metres beyond municipal supply e.g. toilets Check unaccounted for water	Municipal buildings and properties meters will be checked and be costed. A recommendation will be submitted to Council if there are issues to be rectified. All leakages found will be repaired and the costs of losses will be costed or estimated based on the average usage under normal meter readings. A recommendation will be submitted to Council for rectification .An automated system of metre reading will be presented to Council, which will assist in having accurate meter reading.  1) Install strategic bulk water meters. 10 Area meters.	B Arends	Monthly	R300 000.00		12(g)
							1. Installation will depend on funds.			

					2) Investigate automatic water meters		2. Report to council on 29 April 2010		R400 000.00	
KPI	Problem Area	Intervention	Local Sphere Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds Needed	
2. Electricity	Losses	Investigation and monthly reports to council	BM	Replace old metres Check metres for accuracy	The same plan of action under water above will be implemented to include: 1. Street lights, floodlights metered and costed. 2. The Syntel system, which can give records and history of buying of electricity, will be audited to check on fraudulent practices. 3. Installation of prepaid meters in all municipal buildings A recommendation will be submitted to Council to remove old meters who might be giving inaccurate readings by prepaid meters, including business premises. The affected persons will be consulted before any action is taken Syntel system is already installed. Monitoring of Syntel system.	B Arends	Monthly	1.R3000.00  2.R290 000.00 (Syntel system)  3.R24 700.00		12(g)
3. Housing	(3.1) Poor quality of 373 houses in Willowmore	(i) Completion of project by CDM (ii) Independent building inspector appointed by BM (iii) Approach Dept of Housing for rectification	CDM BM Dept of Housing	(i) Appoint contractor to complete the 38 units (ii) Letter for rectification	Contractors will be appointed. Baviaans Municipality will the MM to sign pre-agreement form on the additional 16 houses so that Cacadu can repair the houses, BM will deregister the houses, as it appears that the beneficiaries cannot be found. Council will consult the SAPS or appoint a Service Provider to secure the houses against vandalism until qualifying beneficiaries are found. CDM will hand over the project to BM after the last 16 houses are completed. BM in conjunction with CDM will consult the Housing Department EC for a rectification programme for all other houses as it is done in other Municipalities	MM B Arends	(i) April 2010-03-19 (ii) 19/3/10		(i)Funded by Cacadu  R4 000 000	69

	(3.2) Down Project	a) Speed up process for housing project	Baviaans Municipality and Department of housing	i) Temporary housing for people living in demolished houses ii) Arrange meeting with department of housing	Apply for temporary housing – 30 emergency houses needed Water and electricity would have to be installed	MM / B Arends	Application 30/04/2010  August 2010		i)R150 000  ii)R4.752 m	75
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**KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE**

KPI	Problem area	Intervention	Local Sphere. Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds needed	
Sanitation	(i) 32 indigent houses not eradicated	Immediate project to eradicate indigent households	BM	Implement project	32 indigent households that became indigent after 2005 will have to be provided with waterborne sewerage system and funding be provided from the equitable share to provide the service. Council to remove the buckets from the toilets of other private owners who are not indigent.	B Arends	July 2010	R150 000		100
Traffic services	(i)Absence of vehicle test centre  (ii)Issuing of card licences  (iii) Issue of learners licences	Speed up process of opening of the traffic centre.	BM	(i) Opening of E-Natis functions (ii) Training for card licences (iii) Training for learners and drivers licences	A proposal on Road Management System was approved by Council. An application on RMS has been submitted to DBSA by DBSA representative deployed in Baviaans Municipality. The system if approved will inform BM of the priority areas to be addressed. The application will also be submitted to COGTA for funding  (i)The Service Provider has been provided with the SLA. He will get all the documents identified under clause 6 of the SLA. MM and TSM will visit Oudtshoorn for the purpose of inspecting the operations of VTC, LLC and DIC and Driveway. On receipt of all documents regarding the Vehicle Testing Centre, a meeting will be arranged with the Provincial Traffic Dept to present the documents. MM	B Arends M Lötter	June 2010	i)R50 000	i)R120 000	93(a) (93b)

					TSM and the SLA will attend the meeting. (ii) The machine for the card licensing is available, Training will be arranged for the examiners and we will determine the date of operation after the training has been completed. (iii) The issuing of learners licensing will follow. (iv) The organogram of the Station has to be reviewed. Cashier and supervisor will be needed.			ii)R30 000  iii)R80 000	iii)R350 000  iv) R160 000 Extra personnel	
Office space	Lack of office space for additional personnel	Investigate and table report to council	BM	Lobby for funds Implement planning	Management implementation plan implemented	B. Arends	31/05/2010 Report to council	R700 000	10	

#### **KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT**

KPI	Problem area	Intervention	Local Sphere. Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds needed	
Under developed economy	High unemployment rate	Execution of LED & Tourism Action Plans	BM	Monthly reports to Council	To execute LED and Tourism Action Plan a LED-unit within the Municipality was formed	M E de Beer	Monthly	396 000 over 2 years		35 (a, b)
	Unavailability of funds for LED	Urgent lobbying for funds	BM	2 x Workshop Khanya/Thina Sinako Project on LED	Municipality to support Thina Sinako project to be in a position to access funds for LED	M E de Beer	Workshops: 30/31 March 10		R1.5 m (Execution of LED and tourism plans)	36
	Low educational & technical skills of community	Craft project – Investigation/training/marketing	BM DEDEA	Applied for funds for craft project	Implement craft project after 1 <sup>st</sup> phase was done	M E de Beer	12/3/10	200 000		35 (a, b)

**KEY PERFORMANCE AREA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

KPI	Problem area	Intervention	Local Sphere / Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds Needed	
Communication	(i) External Communication Lack of efficient communication with community  (ii) Internal Communication  (a) Irregular management meetings  (b) Lack of regular departmental meetings	Adoption of Public Participation & Communication Plan  Establishment of a help desk  Regular meetings  Department Meetings	PCRD/CDM/BM  BM  BM	Service Provider appointed  More regular meetings & minutes submitted to council Dates of departmental meetings & minutes to MM	(i) Management will table a communication plan in council  There will be monthly meetings and minutes will be taken to council  At the risk management meeting it was decided that Council decisions pertaining to departments will be communicated to officials and general workers. The working group committees are another tool used to discuss operational matters.  Departmental managers should have meetings with all personnel to ensure effective service delivery Necessary structure of meetings	ME de Beer	30/6/10  Monthly  Monthly			12(e)
Customer Care	Too many customer Complaints – Written complaints are not addressed in time	Management will ensure that complaints will be reported to front desk and through correspondence are effectively addressed	BM	(i) Implement a Help Desk for WM & SV	The receptionist will keep three books of records one for technical services and one for Budget and Treasury Office and one for written complaints. This will be handled in the same manner as it operates presently, except that the finance official who attended to the complaint will have to sign off on the complaints book at the receptionist that the complaint has been attended to. A monthly report will go to the relevant working group to monitor and evaluate the manner in which the complaint has been addressed.	M Lötter	30/6/10  R0  R0	R0  R120 000		12(i)

					i) All written complaints must go through the post book and should also be booked out to reception and an acknowledge letter must be given to the complainer by the receptionist. The letter must be booked out to relevant managers and also signed off by relevant manager receiving it. The response letter and relevant information concerning it must also be written into the complaint book: date of response letter est. ii) There is a book that needs to be created for account complaints. The complaint must then also be given in at reception and the same procedure must be followed than mentioned above (i). iii) Computerised complaint system can be installed – investigate system and submit report to council	M Löter	Report to council on 31/05/10			
Audit Reports	Qualified Audit Report	(a) Execute business plan to address audit report  (b) Execute business plan to address oversight report  (c) Turnaround plan for unqualified reports in EC	BM	Execution of business plans	To ensure that the concerns raised by the AG are addressed, monthly reports will be submitted to Council.  Business plan to address. Audit General finding attached as Annexure A  Management will implement internal controls so that findings in the Auditor General's report will not be repeated	MM/CFO	30/6/10			6(a)
	In-effective audit committee	Restructure operations of audit committee	BM/Audit Committee	1st Meeting was held on 17/3/10	A template reflecting the responsibilities of the Audit Committee in terms of sect 166 of the MFMA will be drawn and be included as a check list in the agenda of the Audit Committee	MM/CFO	17/3/10	R100 000 per annum		6(a)
	In-effective internal auditing	Effective business plan	BM	Risk Assessment adopted on 10/12/09 Appointed new internal	A similar template as above will serve as a checklist of what Council want to achieve -Refer to terms of MFMA -Communication is thru management letter and business plan that they	MM/CFO	10/12/09	R300 000 per annum		6(a)

				auditors	<p>submitted by council            -There report are also submitted by Audit committee            -Ensure that the internal audit reports of the findings as supported be admitted to council immediately</p>					
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### **KEY PERFORMANCE AREA: FINANCIAL VIABILITY AND MANAGEMENT**

KPI	Problem Areas	Intervention	Local Sphere. Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time- Frame	Budget		IDP Project No
								Own Funds	Funds Needed	
Asset Management	Not timorously adjusted	Put control system in place	BM	Report to MM on adjustments	1. Training must be giving to staff for using scanner. Training must also be given to staff using assets module on Samras 2. Each official must consist of a list of all the assist in the office 3. Adjustment on the asset register must be done regularly	CFO	Monthly	R20 000		4
	Not fully compliant with GAMAP/GRAP	Change and address business plan	BM	Unbundling of bulk assists	1) DWAF to provide funding. Amend letter of appointment. Execute business plan for water and sanitation. 2. Implement the business plan to address confusion to GRAP. (rest of infrastructure)	CFO/TSM	30 June 2012	R425 000	R1.5 m	4
Financial Statements	Not ready for the conversion to GRAP	Draw up a business plan for implementation	BM	Tabled to Council and CDM	The CFO will give a report to Council on progress made in this regard. At this stage an advert is being prepared for a service provider. The business plan adopted by council 29 April 2010	CFO	31 August 2010		(See above)	4(b)

**KEY PERFORMANCE AREA: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

KPI	Problem areas	Intervention	Local Sphere/ Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds needed	
HR Matters	Absence of Plan	Human Resource Strategy Plan	BM/CDM	Service Provider to be appointed by CDM	Will sign agreement with Cacadu	M Lötter	July 10	R0		12(h)
	Ineffective usage of staff	Absence of job descriptions	BM	Available interim job descriptions	i) Newly appointed personnel's job descriptions would be relevant to the needed enquiries stipulated on the advert of the pos  ii) Waiting for evaluation report on not newly appointed personnel	M Lötter	Sept 10		Bargaining council to do job description	12(h)
	Lack of disciplinary hearings.	To outsource the service	BM		Investigate the appointment of an outside presiding officer	M Lötter	Jun 10	R40 000		12(h)
	Departments lack of capacity to do their work.	(i) Investigate training needs (ii) Fill of vacant posts	BM	i) Training of personnel ii) Review skill audit report	1) Will give report to council of skills audit. 2) Give relevant training. 3) Monitor improvement and 4) Restructure where necessary	M Lötter		R120 000		
	In-sufficient control over personnel files	Put control system in place (Internal Auditors Report)	BM	Personnel files be signed off by the responsible person	Each file will have a file index to serve as a checklist of information to be on file. The Manager will be co-signing the index page with the official in charge of the personnel filling system. In addition each personal document should be scanned and saved in a computer archive system. Appoint person to sign off files.	M.Lötter	Jun 10	R0		12(h)
	Acting policy – In-effective appliance of the Acting Policy	Apply policy	BM	Apply policy	Problem refers to Financial department, 3 <sup>de</sup> Accountant will be appointed.	M Lötter	April 10	R0		12(h)
	Insufficient planning if staff takes leave	Advance Planning for absence during leave		Plan for absence	Staff will be required to give dates of leave in advance so that managers can appoint relevant person in their place, where needed  Action policy needs to be reviewed.					
	Regular labour forum meetings	More regular meetings	BM	Meetings to be held 6 times a year	To stick to scheduled dates to address all staff complaints	M Lötter		Immediate		

**KEY PERFORMANCE AREA: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

KPI	Problem areas	Intervention	Local Sphere/ Other	Pre 2011 Actions	Management comments and actions	Responsible Person	Time Frame	Budget		IDP Project No
								Own Funds	Funds Needed	
Performance Management	Irregular evaluations	Quarterly evaluations	BM	Quarterly reports to council	Ensure that evaluation is done.  Special council meeting for evaluation of managers quarterly.	ME de Beer	20 April 2010	R0		9
	Cascading to lower level	Departmental heads to do effective evaluation of lower level staff.	BM	Quarterly reports to council	Done	M Lötter	Jul, Oct, Jan, Apr			9
	Absence of positive encouragement	To apply policy	BM	Monthly recognition	Practical implementation of the policy	M Lötter	31 July 2010			
Archive and filing system	Implementation of filing plan not on standard	Evaluate system	BM	Urgent investigation & report to Council  i)Ask internal auditor to audit/evaluate system ii)Record manager must be appointment iii)Investigate computerised system	a) The Manager will arrange a w/shop for the archives personnel b)Make a presentation to all secretaries to get the knowhow on the operations of the system. c)An action plan will be drafted at the workshop to address the problems encountered	M Lötter	June	R24000 Internal appointment		10(a)
Commonages	Over grazing of commonages and bad planning	Commonage management plan	BM	Execution of Management Plan	i)Eviction for person not complying with contracts ii)Proper contracts in place iii)Development and planning of commonages iv)Monitoring	MM/M Lötter	Urgent	I)R40 000  Department of agriculture		46(b)
								<b>TOTAL</b>	R2296700.00	R79156000.00



## **PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE**

## A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

### 1. GENERAL INFORMATION (POPULATION STATISTICS)

Baviaans Municipality		
GENERAL INFORMATION		
Reporting Level	Detail	Total
Overview:	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported	
<b>Geography:</b>		
1	The Baviaans Municipality covers an area of 7727.01 square kilometres with two urban nodes namely Willowmore and Steytlerville. Willowmore serves as the administrative hub of the area where the local officers, the District officers of National Government Departments and Provincial Government Departments are situated. The area is scarcely populated - 0 – 100 people per square kilometre <i>Source: Baviaans IDP 2009 / 2010</i>	
<b>Demography:</b>		
2	The current population is 13931 <i>Source: CSS 2007</i>	13931
3	Indigent Population Definition: A household earning an income less than R2012 per month Current indigent population is 1752 <i>Source: Cases of indigence registered at Baviaans Municipality</i>	2070
4	Total number of voters	9100
5	Aged breakdown:	
	- 65 years and over	878
	- between 40 and 64 years	2806
	- between 15 and 39 years	5159
	- 14 years and under	4198
	<i>Source: CSS 2001</i>	
6	Household income:	
	R0 - R800	5.93%
	R800 – R3200	18.18%
	R3201 – or more	2.15%
	<i>Source: CSS 2001</i>	

## 2. FINANCE AND ADMINISTRATION FUNCTION'S PERFORMANCE

Function:	Finance and Administration				
Sub Function:	Finance				
Reporting level	Detail	Total	Total		
<b>Overview</b>	This includes all activities relating to the finance function of the municipality, including revenue collection.				
<b>Description of the activity</b>	The function of finance within the municipality is administered as follows and includes:				
	<p><i>Provision of relevant, accurate and reliable financial information to all users including councillors, managers and stakeholders to facilitate informed decision-making.</i></p> <p><i>Provision, maintenance and implementation of sound financial policy, controls and systems.</i></p> <p><i>Ongoing introduction of budgetary and accounting reforms.</i></p> <p><i>Production of annual budget and annual financial statements</i></p> <p><i>Internal audit and risk management</i></p> <p><i>The maintenance of an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds.</i></p> <p><i>All monies owned to the suppliers and service providers are paid within 30 days of receiving the relevant invoice or statement unless there are special arrangements.</i></p> <p><i>Provision of financial advice to the Council and Departments</i></p> <p><i>Administration of the investments and insurance portfolios of the municipality</i></p> <p><i>Management of Conditional grants</i></p> <p><i>Asset and liability management</i></p> <p><i>Revenue collection and cash flow management</i></p> <p><i>Capacity building by way of training officials.</i></p>				
	The strategic objectives of this function are to:				
	<p><i>Ensure long-term financial sustainability.</i></p> <p><i>Ensure full compliance with all accounting statutory and</i></p>				

*legal requirements including implementation of the MFMA.*

*Billing of services, electricity, water, refuse, sanitation and property rates to the community in the whole of the Baviaans area.*

*Recover all money billed to the community, farms and government departments.*

The key issues for 2010/2011 are:

*Produced Operating and Capital Budget in the prescribe format and within the specific guidelines.*

*Produced GAMAP/GRAP and other relevant accounting standards compliant Financial Statements.*

*Compliance with Supply Chain Management regulations, policy and systems.*

*Improvement of the financial system with regards to*

1. *New budget formats*
2. *Billing of Property Rates*
3. *Reconciling of VAT accounts*
4. *Supply Chain Management'*
5. *Asset Management*
6. *Reporting to National Treasury and Provincial Treasury and compliance with the MFMA reporting requirements*

<b>Analysis of the Function</b>	<i>1.Debtors billing: number and value of monthly billings:</i> <i>2.Debtors collections: value and number of amount received:</i>
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<b>Analysis of function</b>	<i>3. Debtors analysis: amount outstanding over 30, 60, 90 and 120 days</i>  <i>A age analysis report forms part of the financial statements and Chapter 4 Point 8: Age analysis on Property Rates and other services</i>
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	<i>4. Write-off of debts: Number and value of debts written off:</i>	Date	Amount
All services		Sep 2010	811 567.85
		Oct 2010	1 109 701.32

	All services	Dec 2010	299 208.49
	All services	Feb	35

		2011	204.93
All services	Mar	437	
	2011	712.32	
All services	Apr	829	
	2011	997.06	
<b>TOTAL</b>		<b>3 523</b>	
			<b>391.97</b>

#### 5. Property rates

Statistics of property rates forms part of Chapter 4  
and is included in the financial statements

#### 6. Property rates

Statistics of property rates forms part of Chapter 4  
and is included in the financial statements

#### 7.Property Valuation

- Year of last valuation	2000
-Regularity of valuation	Not done

New valuations were done during the 2008/2009  
financial year and it is implemented from the 1 July  
2009.

#### 8.Indigent Policy

-Quantity	1783
-Quantum	2 460

540

#### 9.Creditor payments

All creditors are being paid within 30 days

#### 10.Credit rating

Nor available

#### 11.External loans

#### 12.Delayed and default payments

There were no delayed or default payment on any loans,  
statutory payment or any other defaults of material  
nature

<u>Baviaans Municipality</u>	Services	Amount	Actual	Percentage
		Raised	Income	Payment
Jul-10		R	R	%
	Rates	548,823.65	681,194.00	124.12
	Deer	-	-	
	Sundries	5,615.50	4,814.06	85.73
	Electricity	245,261.55	183,633.99	74.87
	Erf	-	-	
	Huis	-	-	
	Huur	5.70	-	
	Leen	-	-	0.00
	Riool	69,461.40	56,799.15	81.77
	Sanitasie	3,371.50	1,906.30	56.54
	Vullis	119,905.86	99,946.30	83.35
	Water	150,003.23	114,097.06	76.06
	ZZZZZ	-	-	
	<b>TOTAL</b>	<b>1,142,448.39</b>	<b>1,142,390.86</b>	<b>99.99</b>
<u>Baviaans Municipality</u>	Services	Amount	Actual	Percentage
		Raised	Income	Payment
Aug-10		R	R	%
	Rates	43,201.71	139,007.01	321.76
	Deer			
	Sundries	5,615.50	5,303.07	94.44
	Electricity	250,900.07	197,140.56	78.57
	Erf			
	Huis			
	Huur	5.70		
	Leen			0.00
	Riool	71,198.77	57,399.82	80.62
	Sanitasie	3,435.09	2,002.37	58.29
	Vullis	122,806.31	102,513.74	83.48
	Water	139,642.52	108,810.14	77.92
	ZZZZZ		-	
	<b>TOTAL</b>	<b>636,805.67</b>	<b>612,176.71</b>	<b>96.13</b>
<u>Baviaans Municipality</u>	Services	Amount	Actual	Percentage
		Raised	Income	Payment
Sep-10		R	R	%
	Rates	42,115.39	125,978.30	299.13
	Deer			

	Sundries	5,615.50	6,829.11	121.61
	Electricity	272,654.51	307,002.34	112.60
	Erf			
	Huis			
	Huur	5.70		
	Leen			0.00
	Riool	72,882.10	56,284.38	77.23
	Sanitasie	3,586.19	3,147.03	87.75
	Vullis	122,132.96	113,645.63	93.05
	Water	191,094.28	186,125.27	97.40
	ZZZZZ		-	
	<b>TOTAL</b>	<b>710,086.63</b>	<b>799,012.06</b>	<b>112.52</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
<b>Oct-10</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	42,991.01	398,316.01	926.51
	Deer			
	Sundries	5,615.50	4,235.67	75.43
	Electricity	278,298.70	290,300.89	104.31
	Erf			
	Huis			
	Huur	11.40		
	Leen			0.00
	Riool	73,122.67	60,949.56	83.35
	Sanitasie	3,514.53	2,071.95	58.95
	Vullis	122,719.83	116,932.95	95.28
	Water	172,530.03	166,280.41	96.38
	ZZZZZ		-	
	<b>TOTAL</b>	<b>698,803.67</b>	<b>1,039,087.44</b>	<b>148.70</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
<b>Nov-10</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	43,284.90	297,682.09	687.73
	Deer			
	Sundries	5,515.50	5,517.85	100.04
	Electricity	248,936.58	250,414.27	100.59
	Erf			
	Huis			
	Huur	17.10		
	Leen			0.00
	Riool	73,915.09	60,711.01	82.14

	Sanitasie	3,684.03	2,337.57	63.45
	Vullis	121,550.06	102,933.57	84.68
	Water	196,109.08	151,890.42	77.45
	ZZZZZ		-	
	<b>TOTAL</b>	<b>693,012.34</b>	<b>871,486.78</b>	<b>125.75</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		<b>Raised</b>	<b>Income</b>	<b>Payment</b>
<b>Dec-10</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	63,339.65	171,595.21	270.91
	Deer			
	Sundries	5,515.50	6,480.16	117.49
	Electricity	265,575.67	150,713.96	56.75
	Erf			
	Huis			
	Huur	28.50		
	Leen			0.00
	Riool	73,280.61	61,849.91	84.40
	Sanitasie	3,655.19	13,896.39	380.18
	Vullis	120,862.64	94,499.44	78.19
	Water	204,002.63	111,652.61	54.73
	ZZZZZ		-	
	<b>TOTAL</b>	<b>736,260.39</b>	<b>610,687.68</b>	<b>82.94</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		<b>Raised</b>	<b>Income</b>	<b>Payment</b>
<b>Jan-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	61,554.24	45,102.92	73.27
	Deer			
	Sundries	5,515.50	5,320.17	96.46
	Electricity	220,984.10	233,837.52	105.82
	Erf			
	Huis			
	Huur	45.60		
	Leen			0.00
	Riool	74,820.37	63,235.27	84.52
	Sanitasie	2,336.05	805.91	34.50
	Vullis	123,778.69	106,857.42	86.33
	Water	199,243.69	149,599.42	75.08
	ZZZZZ		-	
	<b>TOTAL</b>	<b>688,278.24</b>	<b>604,758.63</b>	<b>87.87</b>

<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		Raised	Income	Payment
<b>Feb-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	60,477.35	42,292.49	69.93
	Deer			
	Sundries	5,515.50	4,437.12	80.45
	Electricity	246,037.68	191,972.56	78.03
	Erf			
	Huis			
	Huur	74.10		
	Leen			0.00
	Riool	73,162.83	61,405.06	83.93
	Sanitasie	3,334.93	2,118.89	63.54
	Vullis	120,550.42	103,114.47	85.54
	Water	220,332.90	189,824.35	86.15
	ZZZZZ		-	
	<b>TOTAL</b>	<b>729,485.71</b>	<b>595,164.94</b>	<b>81.59</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		Raised	Income	Payment
<b>Mar-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	59,959.57	42,114.52	70.24
	Deer			
	Sundries	6,427.50	5,539.93	86.19
	Electricity	233,424.44	190,769.32	81.73
	Erf			
	Huis			
	Huur	119.70		
	Leen			0.00
	Riool	73,150.71	63,720.59	87.11
	Sanitasie	3,334.93	2,094.33	62.80
	Vullis	120,498.33	108,682.03	90.19
	Water	187,331.81	140,117.90	74.80
	ZZZZZ		-	
	<b>TOTAL</b>	<b>684,246.99</b>	<b>553,038.62</b>	<b>80.82</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		Raised	Income	Payment
<b>Apr-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	60,098.40	152,813.10	254.27
	Deer			
	Sundries	5,971.50	7,395.95	123.85
	Electricity	512,374.17	515,248.80	100.56

	Erf			
	Huis			
	Huur	193.80		
	Leen			0.00
	Riool	69,973.10	65,800.03	94.04
	Sanitasie	4,705.80	11,010.13	233.97
	Vullis	114,134.50	105,435.39	92.38
	Water	250,436.53	148,860.13	59.44
	ZZZZZ		-	
	<b>TOTAL</b>	<b>1,017,887.80</b>	<b>1,006,563.53</b>	<b>98.89</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		<b>Raised</b>	<b>Income</b>	<b>Payment</b>
<b>May-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	57,061.50	23,173.05	40.61
	Deer			
	Sundries	5,971.50	4,889.37	81.88
	Electricity	522,067.23	518,320.79	99.28
	Erf			
	Huis			
	Huur	313.50		
	Leen			0.00
	Riool	73,660.52	64,499.86	87.56
	Sanitasie	3,386.05	1,817.68	53.68
	Vullis	121,381.89	107,073.86	88.21
	Water	202,822.81	142,673.07	70.34
	ZZZZZ		-	
	<b>TOTAL</b>	<b>986,665.00</b>	<b>862,447.68</b>	<b>87.41</b>
<u>Baviaans Municipality</u>	<b>Services</b>	<b>Amount</b>	<b>Actual</b>	<b>Percentage</b>
		<b>Raised</b>	<b>Income</b>	<b>Payment</b>
<b>Jun-11</b>		<b>R</b>	<b>R</b>	<b>%</b>
	Rates	57,187.69	34,685.19	60.65
	Deer			
	Sundries	5,971.50	5,755.44	96.38
	Electricity	637,504.09	650,449.20	102.03
	Erf			
	Huis			
	Huur	507.30		
	Leen			0.00
	Riool	72,509.44	61,116.65	84.29
	Sanitasie	3,241.85	25,758.17	794.55
	Vullis	119,639.22	106,911.72	89.36

	Water	179,245.10	134,863.96	75.24
	ZZZZZ		-	
	<b>TOTAL</b>	<b>1,075,806.19</b>	<b>1,019,540.33</b>	<b>94.77</b>

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**Analysis of function**      **3. Debtors analysis: amount outstanding over 30, 60, 90 and 120 days**

*A age analysis report forms part of the financial statements and Chapter 4 Point 8: Age analysis on Property Rates and other services*

4. Write-off of debts: Number and value of debts written off:	Date	Amount
All services	Sep 2010	811 567.85
All services	Oct 2010	1 109 701.32
All services	Dec 2010	299 208.49
All services	Feb 2011	35 204.93
All services	Mar 2011	437 712.32
All services	Apr 2011	829 997.06
<b>TOTAL</b>		<b>3 523 391.97</b>

5. Property rates	
Statistics of property rates forms part of Chapter 4 and is included in the financial statements	

6. Property rates	
Statistics of property rates forms part of Chapter 4 and is included in the financial statements	

7.Property Valuation	
- Year of last valuation	2000
-Regularity of valuation	Not done
New valuations were done during the 2008/2009 financial year and it is implemented from the 1 July 2009.	

8.Indigent Policy	
-Quantity	1783
-Quantum	2 460 540

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	9.Creditor payments  All creditors are being paid within 30 days
	10.Credit rating  Not available
	11.External loans
	12.Delayed and default payments  There were no delayed or default payment on any loans, statutory payment or any other defaults of material nature

### 3. PLANNING AND DEVELOPMENT FUNCTION'S PERFORMANCE

Function:	Planning and Development																	
Sub Function:	Economic Development																	
Reporting Level	Detail	Total																
Overview:	Includes all activities associated with economic development initiatives																	
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:																	
	<table border="1"> <thead> <tr> <th><i>Function:</i> <i>SMME's</i></th><th><i>How offered to community</i></th></tr> </thead> <tbody> <tr> <td>Empowerment of SMME's</td><td>Provision of bookkeeping programmes Financial management Marketing of products &amp; services Training Courses Upgrade website to include SMME's Linked to Tourism Strategy Establish business stalls/suitable venues to sell their products Training sessions with SEDA &amp; BM</td></tr> <tr> <td>Legalise/legitimise Spaza shops</td><td>Create a data base of all Spaza shops Assist with registration of their businesses</td></tr> <tr> <td>Formalize local hawkers to promote organised</td><td>Enforce applicable by law Designated hawking areas</td></tr> <tr> <td>Promote opportunity for local job creation</td><td>i) Assist with registration of local contractors as accredited service providers ii) Appointed 315 Sakha Isizwe workers iii) Created 3518 job opportunities through EPWP iv) Arts &amp; Craft development</td></tr> <tr> <td>Promote LED</td><td>Formulation and execution of a LED plan Development of LED in Baviaans</td></tr> <tr> <td><i>Function:</i> <i>Tourism</i></td><td><i>How offered to community</i></td></tr> <tr> <td>Promote local Tourism</td><td>Formulation of an integrated tourism development plan Execution of the Tourism Action Plan</td></tr> </tbody> </table>	<i>Function:</i> <i>SMME's</i>	<i>How offered to community</i>	Empowerment of SMME's	Provision of bookkeeping programmes Financial management Marketing of products & services Training Courses Upgrade website to include SMME's Linked to Tourism Strategy Establish business stalls/suitable venues to sell their products Training sessions with SEDA & BM	Legalise/legitimise Spaza shops	Create a data base of all Spaza shops Assist with registration of their businesses	Formalize local hawkers to promote organised	Enforce applicable by law Designated hawking areas	Promote opportunity for local job creation	i) Assist with registration of local contractors as accredited service providers ii) Appointed 315 Sakha Isizwe workers iii) Created 3518 job opportunities through EPWP iv) Arts & Craft development	Promote LED	Formulation and execution of a LED plan Development of LED in Baviaans	<i>Function:</i> <i>Tourism</i>	<i>How offered to community</i>	Promote local Tourism	Formulation of an integrated tourism development plan Execution of the Tourism Action Plan	
<i>Function:</i> <i>SMME's</i>	<i>How offered to community</i>																	
Empowerment of SMME's	Provision of bookkeeping programmes Financial management Marketing of products & services Training Courses Upgrade website to include SMME's Linked to Tourism Strategy Establish business stalls/suitable venues to sell their products Training sessions with SEDA & BM																	
Legalise/legitimise Spaza shops	Create a data base of all Spaza shops Assist with registration of their businesses																	
Formalize local hawkers to promote organised	Enforce applicable by law Designated hawking areas																	
Promote opportunity for local job creation	i) Assist with registration of local contractors as accredited service providers ii) Appointed 315 Sakha Isizwe workers iii) Created 3518 job opportunities through EPWP iv) Arts & Craft development																	
Promote LED	Formulation and execution of a LED plan Development of LED in Baviaans																	
<i>Function:</i> <i>Tourism</i>	<i>How offered to community</i>																	
Promote local Tourism	Formulation of an integrated tourism development plan Execution of the Tourism Action Plan																	

	<i>Attraction of tourism to the area Development of new products – continuous marketing of the area</i>	
<i>PDI involvement in product ownership of tourism products</i>	Hospitality training Developmental projects  <i>Facilitate training of tour guides and guesthouse personnel Facilitate joint ventures with PDI's in tourism opportunities</i>	
<i>Promote local tourist products, services available and access to website</i>	<i>Place photos of tourist products and or services on website Provide training on "how to access and utilise website for marketing" Create a municipal data base of tourism operators in Baviaans Investigate standard of existing tourism facilities</i>	
<b><i>Function: Agriculture</i></b>	<b><i>How offered to community</i></b>	
<i>Minimize stock losses</i>	<i>Execution of by laws Control of dogs – Animal Protection Program</i>	
<i>Assist beneficiaries of agricultural projects</i>	<i>Small farmers must have access to commonages and pay for their animals grazing of the commonage. Training in agricultural related issues. Buy breeding stock within available budget – participate in yearly Agricultural show</i>	
<i>Avail land for emerging farmers</i>	<i>Investigate need for land Implementation of Area Based Plan &amp; LAA – CDM / BM</i>	
<i>Farm workers</i>	<i>Organised training for farm workers</i>	

The strategic objectives of this function are to:

**SMME's:** To provide SMME's with mandated municipal support that facilitates their growth and success.

**TOURISM:** A pleasurable tourist experience

**AGRICULTURE:** Promote agriculture as an external income. Investigate the financial viability and sustainability of all resources and facilities of already extended agricultural projects & their contribution to LED.

The key issues for 2010/11 are: Job creation: Poverty alleviation programs

Execution of the Tourism Action Plan

- Execution of LED Action Plan

#### Analysis of the Function:

1	Number and cost to employer of all economic development personnel: - Professional (Directors / Managers)	<i>nil</i>	<i>Nil</i>
	- Non-professional (Clerical / Administrative)	<i>8</i>	<i>R13888</i>
	- Temporary	<i>Nil</i>	<i>Nil</i>
	- Contract	<i>Nil</i>	<i>Nil</i>
2	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		

	Detail and cost of incentives for business investment:  3 <list details> Note: list incentives by project, with total actual cost to municipality for year		<i>Nil</i>
4	Detail and cost of other urban renewal strategies:  <list details>	<i>Na</i>	<i>Na</i>
5	Note: list strategies by project, with total actual cost to municipality for year  Detail and cost of other rural development strategies:  <list details>	<i>n/a</i>	<i>n/a</i>
6	Note: list strategies by project, with total actual cost to municipality for year  Number of people employed through job creation schemes:  - Short-term employment – Sakha Isizwe - Long-term employment - EPWP	<i>315/a</i> <i>3518/a</i>	
6	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives  Number and cost to employer of all Building Inspectors employed:  - Number of Building Inspectors - Temporary - Contract	<i>1</i> <i>Nil</i> <i>Nil</i>	<i>R218988/a</i> <i>Nil</i> <i>Nil</i>
	Details of building plans:  - Number of building plans approved - Value of building plans approved	<i>20</i> <i>R1 825 000</i>	
Reporting Level	Detail	Total	
7	Type and number of grants and subsidies received:  <i>CDM</i> <i>DEDEA</i>	<i>R150 000</i> <i>R 540 000</i>	

#### 4. COMMUNITY AND SOCIAL SERVICES FUNCTION'S PERFORMANCE

Function:	Community and Social Services																																					
Sub Function:	All inclusive																																					
Reporting Level	Detail	Total																																				
Overview:	Includes all activities associated with the provision of community and social services																																					
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	<b>Function: Animal Health</b>	<b>How offered to community</b>	
	Effective programmes for the health of animals in the Baviaans (dogs, cats & donkeys)	Implement programme to take care of animal health Karoo Animal Protection Services (KAPS).	
	<b>Function: Safety &amp; Security</b>	<b>How offered to community</b>	
	Build healthy relationships with SAPS	SAPS to ensure that their staff in Baviaans LM can speak the language of the customer – monthly meetings	
		Active CP Forums in all areas	
	<b>Function: Better communication to community</b>	<b>How offered to community</b>	
	Community participation structures to help identify community needs	Area committees established Public Participation Plan and Communication Action Plan adopted	
	Communication strategy to community	Baviaans Municipal Newsletter IDP Newsletter IDP Feedback sessions. Website Notice board Loud hauling	

The strategic objectives of this function are to:

Library's: Proud citizen's that contribute to the development of their towns

Development of Youth: The Youth of Baviaans are actively integrated into and contribute to community development.

Development of People: Improve opportunities for development of people

Health Services: Improve community access to a comprehensive health care service.

Animal Health: Control and improvement of animal health.

Safety & Security: SAPS fulfil their mandated role and responsibility in the community.

Better communication for community: Community participation

The key issues for 2010/11 are:

- Fully fledged libraries in all areas
- Internet access to all the Youth Centres
- Training programs in all sectors
- Execution of LED & Tourism action plans
- Conflict & leadership courses for poverty alleviation programs

#### Analysis of the Function:

1	Nature and extent of facilities provided:	no of facilities:	no of users:
	- Library services	3	3500
	- Other community halls/facilities	6	3308
	- Cemeteries	8	3308

	- Sporting facilities (specify)	4	3308
Note: the facilities figure should agree with the assets register			
2	Number and cost to employer of all personnel associated with each community services function:		
	- Library services	2	R 112 337
	- Other community halls/facilities	1	R57381/a
	- Cemeteries		
	- Sporting facilities	1	R57381/a
Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package			
6	Total operating cost of community and social services function		R 227 099

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance		Current	Target						
• <i>Approved HIV/AIDS strategy;</i>	<table border="1"> <tr> <th>Actual Performance</th> <th>Variance between planned and actual performance</th> </tr> <tr> <td>a) Local Aids Council meetings were held</td> <td>Almost all stakeholders participated in these meetings.</td> </tr> <tr> <td>b) The following programmes were done in both towns: - STI Days - TB Days - Memorial Candle Light Function - World Aids Days functions - Pregnancy days - Breastfeeding</td> <td>b) Both areas programmes were well attended and happened as planned</td> </tr> </table>	Actual Performance	Variance between planned and actual performance	a) Local Aids Council meetings were held	Almost all stakeholders participated in these meetings.	b) The following programmes were done in both towns: - STI Days - TB Days - Memorial Candle Light Function - World Aids Days functions - Pregnancy days - Breastfeeding	b) Both areas programmes were well attended and happened as planned			
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Planned improvements for the next year

- Execution of HIV/Aids Implementation Plan for the Baviaans

• <i>Approved Disaster management policy frameworks and plans (Metro and DM)</i>	N/A
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## 5. HOUSING FUNCTION'S PERFORMANCE

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total										
Overview:	Includes all activities associated with provision of housing											
Description of the Activity:	The function of provision of housing within the municipality is administered as follows and includes:											
	<table border="1"> <thead> <tr> <th>Function:</th><th>How offered to community</th></tr> </thead> <tbody> <tr> <td>Eradicate all squatters and informal settlements in Baviaans</td><td>Investigate and determine the housing need in the entire Baviaans Municipal area with special focus on 'Down' and Steytlerville squatters. Renovate old stone houses.</td></tr> <tr> <td>Provide housing for needy people in Baviaanskloof and Fullarton</td><td>Investigate feasibility of housing projects in Fullarton and Baviaanskloof. Apply for housing projects from province.</td></tr> <tr> <td>Provision of housing for middle and high income earners</td><td>Town Planning for housing projects for higher income earners. Survey and peg new erven for future expansion of towns in Steytlerville especially. Private sector housing development – Steytlerville and Willowmore</td></tr> <tr> <td>Enhance quality and standards of RDP housing</td><td>Encourage local contractors to register with CIDB. Monitor all projects for compliance with National &amp; Provincial standards. Ensure that legal/rightful owners are allocated houses in RDP housing projects.</td></tr> </tbody> </table>	Function:	How offered to community	Eradicate all squatters and informal settlements in Baviaans	Investigate and determine the housing need in the entire Baviaans Municipal area with special focus on 'Down' and Steytlerville squatters. Renovate old stone houses.	Provide housing for needy people in Baviaanskloof and Fullarton	Investigate feasibility of housing projects in Fullarton and Baviaanskloof. Apply for housing projects from province.	Provision of housing for middle and high income earners	Town Planning for housing projects for higher income earners. Survey and peg new erven for future expansion of towns in Steytlerville especially. Private sector housing development – Steytlerville and Willowmore	Enhance quality and standards of RDP housing	Encourage local contractors to register with CIDB. Monitor all projects for compliance with National & Provincial standards. Ensure that legal/rightful owners are allocated houses in RDP housing projects.	
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Eradicate all squatters and informal settlements in Baviaans	Investigate and determine the housing need in the entire Baviaans Municipal area with special focus on 'Down' and Steytlerville squatters. Renovate old stone houses.											
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Provision of housing for middle and high income earners	Town Planning for housing projects for higher income earners. Survey and peg new erven for future expansion of towns in Steytlerville especially. Private sector housing development – Steytlerville and Willowmore											
Enhance quality and standards of RDP housing	Encourage local contractors to register with CIDB. Monitor all projects for compliance with National & Provincial standards. Ensure that legal/rightful owners are allocated houses in RDP housing projects.											

The strategic objectives of this function are to:

Supply sustainable housing to all inhabitants of the Baviaans.

The key issues for 2010/11 are:

- Submit applications for Down and the stone houses in Steytlerville to the Dept of Housing
- Await completion of court case regarding the 503 houses.

Analysis of the Function:			
1	Number and cost of all personnel associated with provision of municipal housing:		R 421 328
	- Office (Clerical/Administration)	1	120 528
	- Contract	1	300 800
	- Building inspector	1	
2	Number and total value of housing projects planned and current:		R 3 391 658
	- Current (financial year after year reported on)	1	0
	- Planned (future years)	2	6,273,000

3	Total type, number and value of housing provided: <i>RDP</i>	53	R2,809 000
	Note: total number and total value of housing provided during financial year		
4	Estimated backlog in number of (and costs to build) housing:	247	<i>R14,079,000</i>
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
5	Type of habitat breakdown:		
	- number of people living in a house or brick structure	3325	
	- number of people living in a traditional dwelling	0	
	- number of people living in a flat in a block of flats	0	
	- number of people living in a town/cluster/semi-detached group dwelling	0	
	- number of people living in an informal dwelling or shack	0	
	- number of people living in a room/flatlet	0	
Reporting Level	Detail	Total	
6	Type and number of grants and subsidies received:	1	1,800 000
	Note: total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
7	Total operating cost of housing function		<i>R</i> 32,179,328
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<ul style="list-style-type: none"> <li>- Submit applications for Down and the stone houses in Steytlerville to the Dept of Housing</li> <li>- Working towards completion of the remained of the 503 houses.</li> <li>- 125 private erven were developed for high-income earners.</li> <li>- Lady appointed to assist with registration of local contractors with CIDB.</li> </ul> <p>Work towards registration of rightful owners that are allocated RDP houses.</p>	<p><i>Application was sent to Department of Housing for 88 housing project in Down and 72 housing project in Steytlerville. The projects were not implemented as planned in 2010 / 11 financial year due to the delay of approval from Department of Human Settlements in terms of funding</i></p>		

## 6. WASTE MANAGEMENT FUNCTION'S PERFORMANCE

Function:	Waste Management								
Sub Function:	Solid Waste								
Reporting Level	Detail		Total						
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling								
Description of the Activity:	The refuse collection functions of the municipality are administered as follows and include:								
	<table border="1"> <thead> <tr> <th>Function:</th><th>How offered to community</th></tr> </thead> <tbody> <tr> <td>Legal compliance of all dumping sites</td><td>Legalise dumping site in Steytlerville or look for alternative site. Investigate dumping in Fullarton &amp; Baviaanskloof. Better management of dumping sites in Willowmore &amp; Steytlerville. Controls over sites Appoint a person to supervise dumping sites Make municipal vehicle available for hiring to remove garden/building or other waste that is not normally carried in black bags. Enforce by laws and educate community on implications of dumping randomly.</td></tr> <tr> <td>Improve refuse removal plans</td><td>Adopt a comprehensive plan for refuse removal through community participation. Purchase vehicles for refuse removal in both Willowmore &amp; Steytlerville. Fill all vacancies existing in refuse removal and explore the idea of increasing personnel</td></tr> </tbody> </table>		Function:	How offered to community	Legal compliance of all dumping sites	Legalise dumping site in Steytlerville or look for alternative site. Investigate dumping in Fullarton & Baviaanskloof. Better management of dumping sites in Willowmore & Steytlerville. Controls over sites Appoint a person to supervise dumping sites Make municipal vehicle available for hiring to remove garden/building or other waste that is not normally carried in black bags. Enforce by laws and educate community on implications of dumping randomly.	Improve refuse removal plans	Adopt a comprehensive plan for refuse removal through community participation. Purchase vehicles for refuse removal in both Willowmore & Steytlerville. Fill all vacancies existing in refuse removal and explore the idea of increasing personnel	
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Improve refuse removal plans	Adopt a comprehensive plan for refuse removal through community participation. Purchase vehicles for refuse removal in both Willowmore & Steytlerville. Fill all vacancies existing in refuse removal and explore the idea of increasing personnel								
	<p><u>The strategic objectives of this function are to:</u></p> <p>Supply sustainable Refuse Removal &amp; Management of Dumping Sites to all inhabitants of the Baviaans.</p>								
	<p><u>The key issues for 2010/11 are:</u></p>								
Analysis of the Function:									
1	Number and cost to employer of all personnel associated with refuse removal:	<i>R</i> 1 018 198							
	- Field (Supervisors/Foremen)	2	159 514						
	- Office (Clerical/Administration)	1	77 619						
	- Non-professional (blue collar, outside workforce)	8	430 265						
	- Contract	1	300 800						
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package								
2	Number of households receiving regular refuse removal services, and frequency and cost of service:	<i>R</i> 2,075,133,50							
	- Removed by municipality at least once a week	3308	1995133,50						
	- Removed by municipality less often	0	0						
	- Communal refuse dump used	3308	80 000						
	- Own refuse dump	0							
	- No rubbish disposal	0							
	Note: if other intervals of services are available, please provide details								
3	Total and projected tonnage of all refuse disposed:	5,14      7,0							
	- Domestic/Commercial								

	- Garden	2,67	3,5
Note: provide total tonnage for current and future years activity			
4	Total number, capacity and life expectancy of refuse disposal sites:		
	- Domestic/Commercial (number)	0,3 (WM) 2,0 (SV)	10 (WM) 7 (SV)
<b>Reporting Level</b>			
	<b>Detail</b>		<b>Total</b>
5	Anticipated expansion of refuse removal service:		
	- Domestic/Commercial	0	0
	- Garden	0	0
Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality			
6	Free Basic Service Provision:		
	- Quantity (number of households affected)	1794	31,92
Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.			
7	Total operating cost of solid waste management function		R 208,531,548

## 7. WASTE WATER MANAGEMENT

Function:	Waste Water Management						
Sub Function:	Sewerage etc						
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>				
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities						
Description of the Activity:	The sewerage functions of the municipality are administered as follows and include:						
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Provide sanitation on an acceptable standard to all communities	Investigate the demand for sanitation in the municipal area. Plan & implement sanitation projects according to the demand analysis						
	<u>The strategic objectives of this function are to:</u>  To supply basic sanitation services to all inhabitants of the Baviaans.						
	<u>The key issues for 2010/11 are:</u> <b>Capital Budget</b>						

Analysis of the Function:			
1	Number and cost to employer of all personnel associated with sewerage functions:		R1,256,233
	- Field (Supervisors/Foremen)	2	159 514
	- Office (Clerical/Administration)	1	77 619

	- Non-professional (blue collar, outside workforce)	11	662 432
Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package			
2	Number of households with sewerage services, and type and cost of service:		
	- Flush toilet (connected to sewerage system)	2862	<cost>
	- Flush toilet (with septic tank)	400	<cost>
	- Chemical toilet	46	<cost>
Note: if other types of services are available, please provide details			
3	Anticipated expansion of sewerage:		
	- Flush/chemical toilet	0	0
	- Pit latrine	0	0
	- Bucket latrine	0	0
	- No toilet provision	0	0
Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality			
4	Free Basic Service Provision:		
	- Quantity (number of households affected)	1794	

Reporting Level	Detail	Total	Cost
Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.			
5	Total operating cost of sewerage function		R1,631,436

## 8. ROAD MAINTENANCE'S FUNCTION'S PERFORMANCE

Function:	Road Transport						
Sub Function:	Roads						
Reporting Level	Detail	Total	Cost				
Overview:	Construction and maintenance of roads within the municipality's jurisdiction						
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <table border="1"> <tr> <th>Function:</th><th>How offered to community</th></tr> <tr> <td>Establish a well presented body to meet regularly with the Dept of Roads &amp; Transport</td><td>Nominated relevant roll players Transport Forums</td></tr> </table>	Function:	How offered to community	Establish a well presented body to meet regularly with the Dept of Roads & Transport	Nominated relevant roll players Transport Forums		
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Establish a well presented body to meet regularly with the Dept of Roads & Transport	Nominated relevant roll players Transport Forums						

The strategic objectives of this function are to:

*To supply sustainable basic infrastructure to all inhabitants of Baviaans: Rural Roads.*

	The key issues for 2010/11 are	
	<ul style="list-style-type: none"> <li>- Quarterly Transport Forums</li> <li>- Investigate upgrading of Victoria Street, Steytlerville</li> <li>- Bus shelter at Fullarton turn-off</li> <li>- Investigate re-opening of vehicle test centre</li> </ul>	
<b>Analysis of the Function:</b>		
1	Number and cost to employer of all personnel associated with road maintenance and construction:	R 1,218,056
	<ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants) 0 0</li> <li>- Field (Supervisors/Foremen) 2 195 676</li> <li>- Non-professional (blue collar, outside workforce) 13 721 580</li> <li>- Contract 1 300 800</li> </ul>	
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package	
2	Total number, kilometres and total value of road projects planned and current:	
	<ul style="list-style-type: none"> <li>- New bituminised (number) 0 0</li> <li>- Existing re-tarred (number) 0 0</li> <li>- New gravel (number) 0 0</li> <li>- Existing re-sheeted (number) 5 75 000</li> </ul>	
	Note: if other types of road projects, please provide details	
3	Total kilometres and maintenance cost associated with existing roads provided	
	<ul style="list-style-type: none"> <li>- Tar 13 250 000</li> <li>- Gravel 31 150 000</li> </ul>	
4	Average frequency and cost of re-tarring, re-sheeting roads	
	<ul style="list-style-type: none"> <li>- Tar 1 200 000</li> <li>- Gravel</li> </ul>	
	Note: based on maintenance records	
5	Estimated backlog in number of roads, showing kilometres and capital cost	
	<ul style="list-style-type: none"> <li>- Tar 49km 122,500,000</li> <li>- Gravel</li> </ul>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>
6	Type and number of grants and subsidies received:	0 0
7	Total operating cost of road construction and maintenance function	R 124,393,056

## 9. WATER DISTRIBUTION FUNCTION'S PERFORMANCE

Function:	Water
Sub Function:	Water Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		
Description of the Activity:	The water purchase and distribution functions of the municipality are administered as follows and include:		

<i>Function:</i>	<i>How offered to community</i>
Sustainable water supply	<i>Investigate new source for Steytlerville (Erasmuskloof) feasibility and assessment.</i> <i>Bore another borehole in Zaaymanshoek.</i> <i>Investigate an alternative to water purchasing in Fullarton and Steytlerville.</i> <i>Supply water despite Eskom failures.</i>
Efficient accounting system for water usage	<i>Monthly statistics of consumption for monitoring.</i> <i>Faulty meter replacement</i> <i>The installation of water meters in Baviaanskloof &amp; Fullarton</i>
Budget for operation and maintenance of water reticulation network	<i>Finalise Water Services Development Plan.</i> <i>Allocate funding from own revenue for operation and maintenance costs.</i> <i>Conclude legal contracts with users tapping on the municipal lines.</i>

The strategic objectives of this function are to:

*To supply sustainable basic infrastructure to all inhabitants of Baviaans: Water.*

	The key issues for 2010/11 are <b>Extension of ROD for surface water from Erasmuskloof</b> <b>Policy for water &amp; sanitation services to farm workers</b>		
1	Number and cost to employer of all personnel associated with the water distribution function:		R 695 770
	- Field (Supervisors/Foremen)	2	461 861
	- Non-professional (blue collar, outside workforce)	10	233 909
	- Temporary	0	0
	- Contract	0	0
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.		
2	Percentage of total water usage per month <i>&lt;Insert table showing monthly water usage &gt;</i>	70%	19371
	Note: this will therefore highlight percentage of total water stock used per month		
3	Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer		
	- Category 1	0	0
	- Category 2	0	0
	- Category 3	0	0
	- Category 4	0	0

4	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:		
	- Water pumped to town	132,729	0
	- Water sold to town	102,658	0
	- Loss kl	30,071	0
5	Total year-to-date water losses in kilolitres and rand	30,017	R94 553.55
Reporting Level	Detail	Total	Cost
6	Number of households with water service, and type and cost of service:		R 1,536,500
	- Piped water inside dwelling	1438	
	- Piped water inside yard	1870	
	- Piped water on community stand: distance < 200m from dwelling	0	0
	- Piped water on community stand: distance > 200m from dwelling	0	0
	- Borehole	0	0
	- Spring	0	0
	- Rain-water tank	0	0
	Note: if other types of services are available, please provide details		
7	Number and cost of new connections:	225	337 500
8	Number and cost of disconnections and reconnections: <i>&lt;detail total&gt;</i>	15	22 500
9	Number and total value of water projects planned and current: - Current (financial year after year reported on)	2	22,000,000
	- Planned (future years)	0	
	Note: provide total project and project value as per initial or revised budget		
10	Anticipated expansion of water service:		
	- Piped water inside dwelling	0	0
	- Piped water inside yard	225	337 500
	- Piped water on community stand: distance < 200m from dwelling	0	0
	- Piped water on community stand: distance > 200m from dwelling	0	0
	- Borehole	0	0
	- Spring	0	0
	- Rain-water tank	0	0
11	Estimated backlog in number (and cost to provide) water connection:		99,762,816
	- Piped water inside dwelling	3308	-
	- Piped water inside yard	3308	-
	- Piped water on community stand: distance < 200m from dwelling	0	0
	- Piped water on community stand: distance > 200m from dwelling	0	0
	- Borehole	0	0
	- Spring	0	0
	- Rain-water tank	0	0
12	Free Basic Service Provision: - Quantity (number of households affected)	355 131	
13	Type and number of grants and subsidies received:	0	0
14	Total operating cost of water distribution function		123,996,816

## 10. ELECTRICITY DISTRIBUTION FUNCTION'S PERFORMANCE

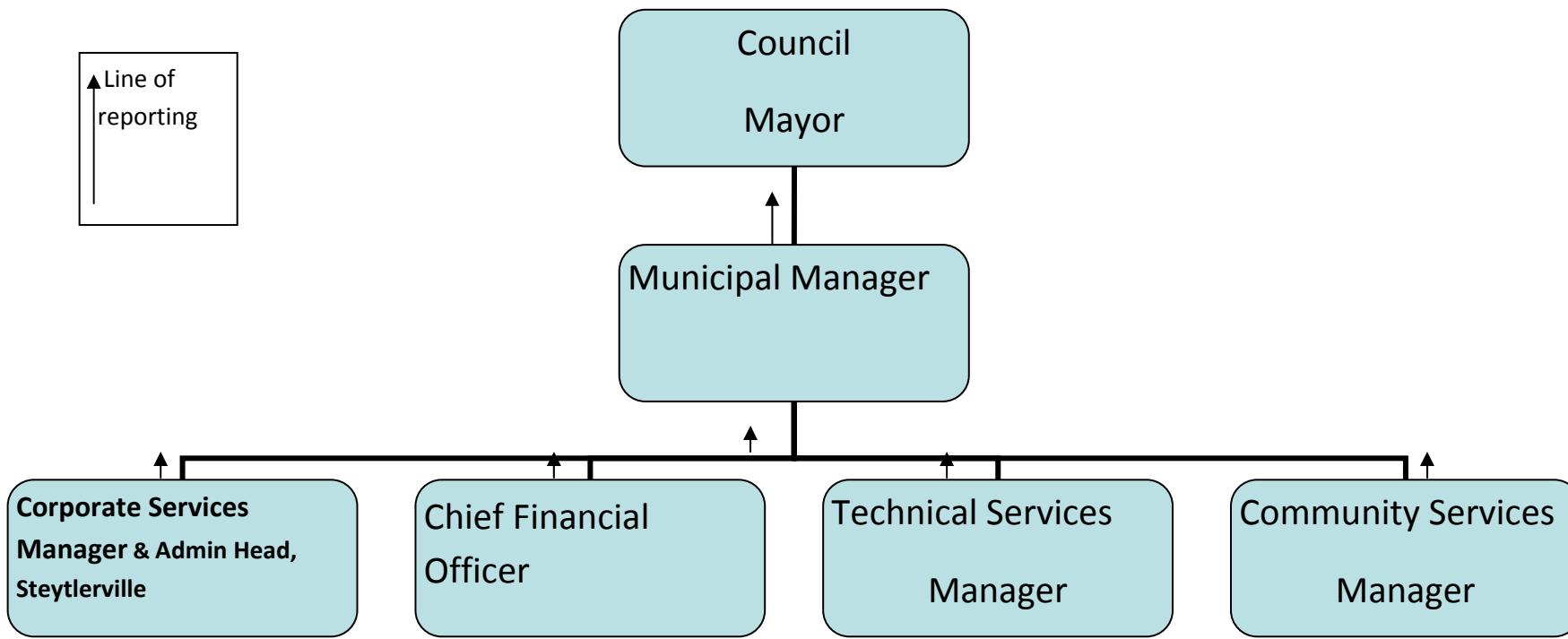
Function:	Electricity																																														
Sub Function:	Electricity Distribution																																														
Reporting Level	Detail	Total	Cost																																												
Overview:	Includes the bulk purchase and distribution of electricity																																														
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <table border="1"> <thead> <tr> <th>Function:</th><th>How offered to community</th></tr> </thead> <tbody> <tr> <td>Avoid power failure from the municipality supply network</td><td> <p>Upgrade old network infrastructure in Steytlerville &amp; Willowmore.</p> <p>Refurbish where needed.</p> <p>Operation and Maintenance plan to be crafted and implemented with budgetary provisions.</p> <p>Upgrade old power station Willowmore.</p> </td></tr> <tr> <td>Eradicate or minimize electricity loss that is not accounted for</td><td> <p>Apply the credit control and by law's provisions for people stealing electricity.</p> <p>Educate people around the efficient usage of electricity.</p> </td></tr> <tr> <td>Electricity supply to all inhabitants of Baviaans by 2012</td><td> <p>Ensure street lighting in all areas and townships.</p> <p>Apply for electrification of Fullarton houses and school.</p> <p>Ensure that all housing projects are electrified.</p> <p>Provision of enough prepaid vending machines.</p> </td></tr> </tbody> </table>			Function:	How offered to community	Avoid power failure from the municipality supply network	<p>Upgrade old network infrastructure in Steytlerville &amp; Willowmore.</p> <p>Refurbish where needed.</p> <p>Operation and Maintenance plan to be crafted and implemented with budgetary provisions.</p> <p>Upgrade old power station Willowmore.</p>	Eradicate or minimize electricity loss that is not accounted for	<p>Apply the credit control and by law's provisions for people stealing electricity.</p> <p>Educate people around the efficient usage of electricity.</p>	Electricity supply to all inhabitants of Baviaans by 2012	<p>Ensure street lighting in all areas and townships.</p> <p>Apply for electrification of Fullarton houses and school.</p> <p>Ensure that all housing projects are electrified.</p> <p>Provision of enough prepaid vending machines.</p>																																				
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Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with the electricity distribution function:</p> <table> <tr> <td>- Field (Supervisors/Foremen)</td> <td>2</td> <td>411 508</td> </tr> <tr> <td>- Non-professional (blue collar, outside workforce)</td> <td>7</td> <td>400 000</td> </tr> </table> <p>2 Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer</p> <table> <tr> <td>- Residential</td> <td>3,388,517</td> <td>1,389,291</td> </tr> <tr> <td>- Commercial</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Industrial</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Mining</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Agriculture</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Other</td> <td>n/a</td> <td>0</td> </tr> </table> <p>3 Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:</p> <table> <tr> <td>- Household</td> <td>2,445,060</td> <td>1,613,739</td> </tr> <tr> <td>- Commercial</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Industrial</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Mining</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Agriculture</td> <td>n/a</td> <td>0</td> </tr> <tr> <td>- Other</td> <td>n/a</td> <td>0</td> </tr> </table> <p>4 Total year-to-date electricity losses in kilowatt hours and rand</p> <table> <tr> <td>2,663,641kwh</td> <td>1,331,820</td> </tr> </table>			- Field (Supervisors/Foremen)	2	411 508	- Non-professional (blue collar, outside workforce)	7	400 000	- Residential	3,388,517	1,389,291	- Commercial	n/a	0	- Industrial	n/a	0	- Mining	n/a	0	- Agriculture	n/a	0	- Other	n/a	0	- Household	2,445,060	1,613,739	- Commercial	n/a	0	- Industrial	n/a	0	- Mining	n/a	0	- Agriculture	n/a	0	- Other	n/a	0	2,663,641kwh	1,331,820
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- Agriculture	n/a	0																																													
- Other	n/a	0																																													
2,663,641kwh	1,331,820																																														

5	Number of households with electricity access, and type and cost of service:	3308	R 3,730,427
Reporting Level	Detail	Total	Cost
	- Electrified areas		
	- Municipal	2853	12 838 500
	- Eskom	455	2,047 500
	- Alternate energy source		
	- Gas	0	0
	- Paraffin	0	0
	- Solar	0	0
	- Wood	0	0
	- Non electrified	0	0
6	Number and cost of new connections:	255	R1,147,500
7	Number and cost of disconnections and reconnections <i>&lt;detail total&gt;</i>	255	1,147,570
8	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) - Planned (future years)	2,250,000 6,167,000	
	Note: provide total project and project value as per initial or revised budget		
9	Anticipated expansion of electricity service: <i>&lt;detail total&gt;</i>	1450	6,000,000
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
10	Estimated backlog in number (and cost to provide) water connection: <i>&lt;detail total&gt;</i>	3308	99,762,816
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	225 4300	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
12	Type and number of grants and subsidies received:	1	R1,900,000
	Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
13	Total operating cost of electricity distribution function		R 142,137,671

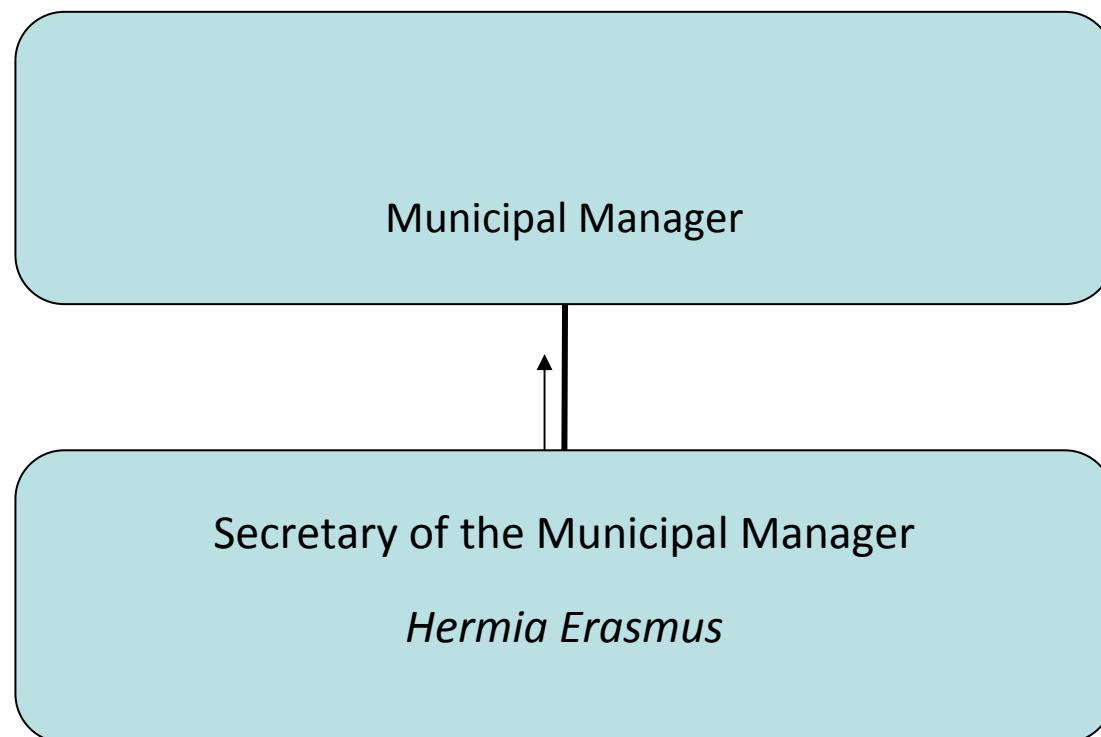
## **PART 4 - ANNEXURES**

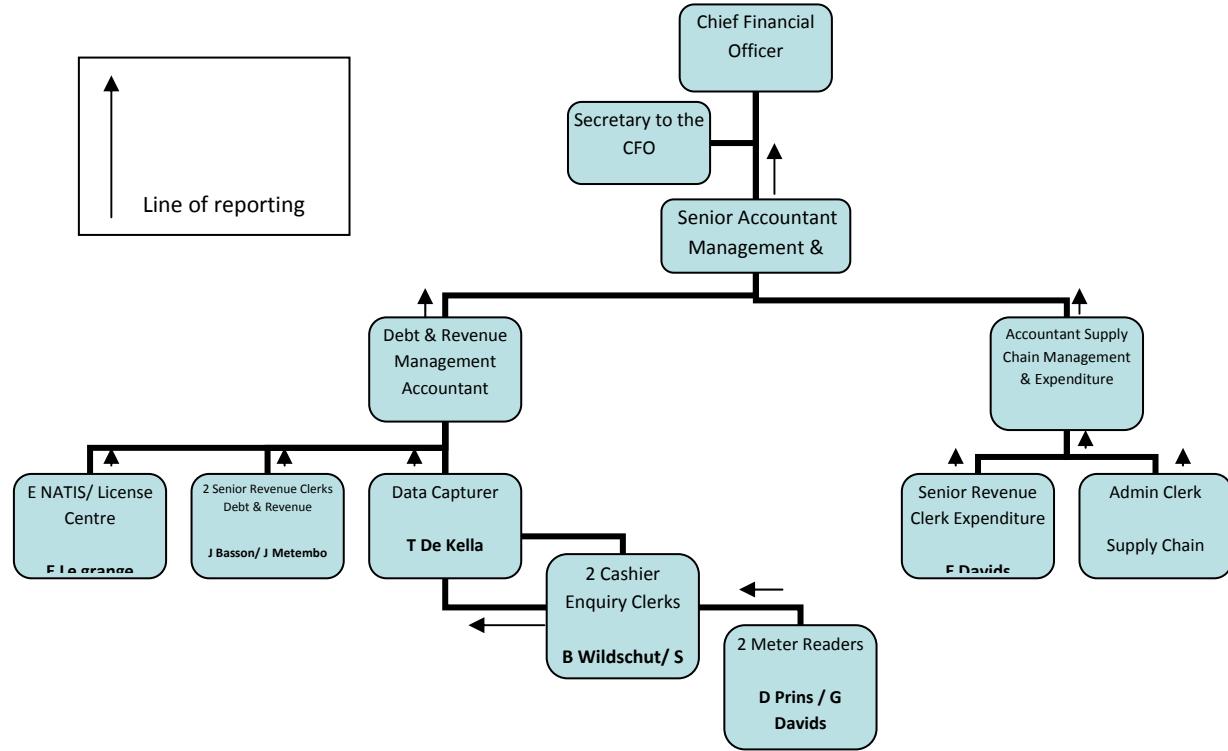


## Management Structure

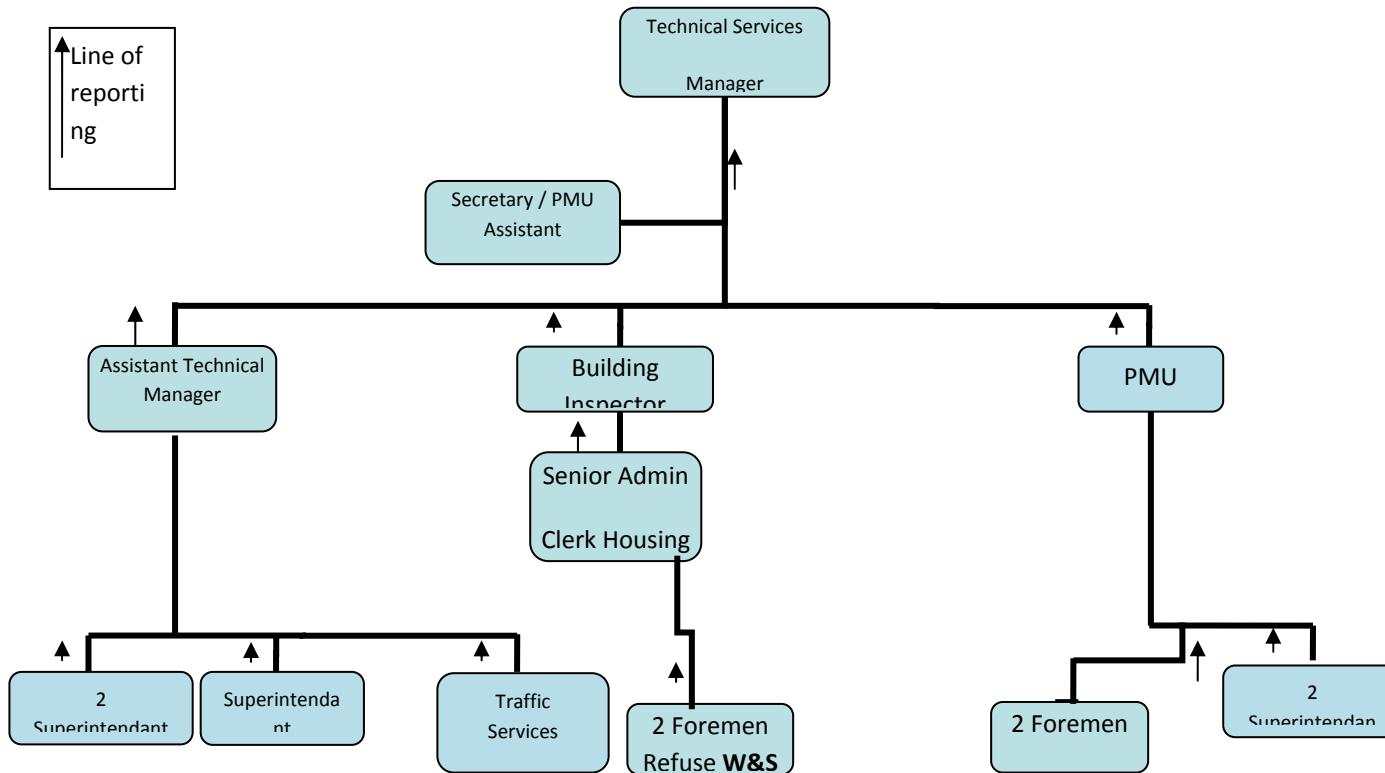


## **Office of the Municipal Manager**





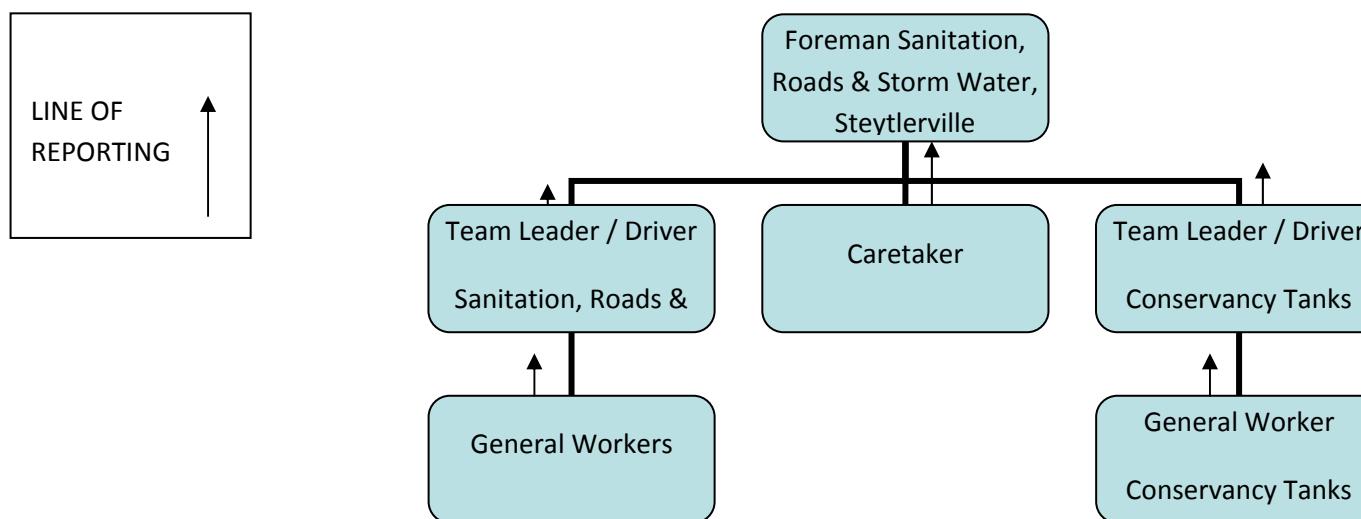
## Budget and Treasury



## Department Technical Services

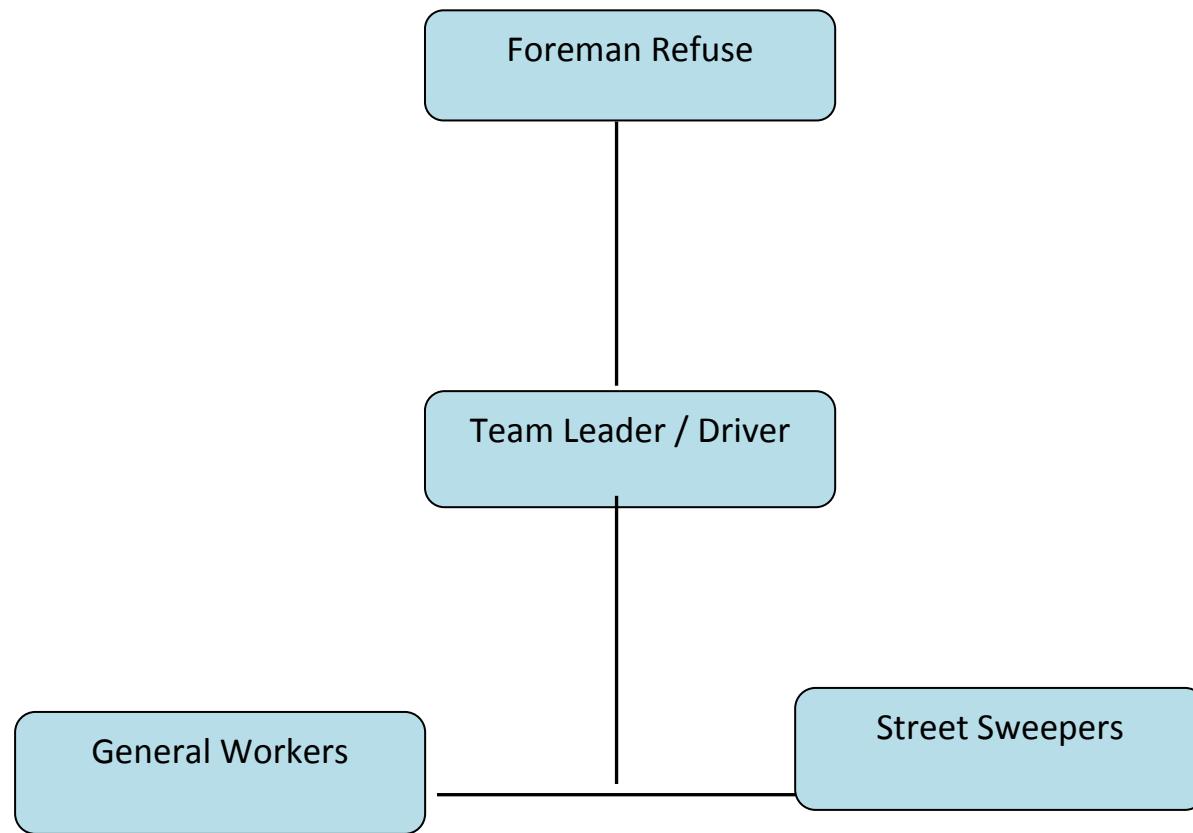
## Steytlerville Admin Unit

### Civil, i.e. Sanitation, Roads and Storm water



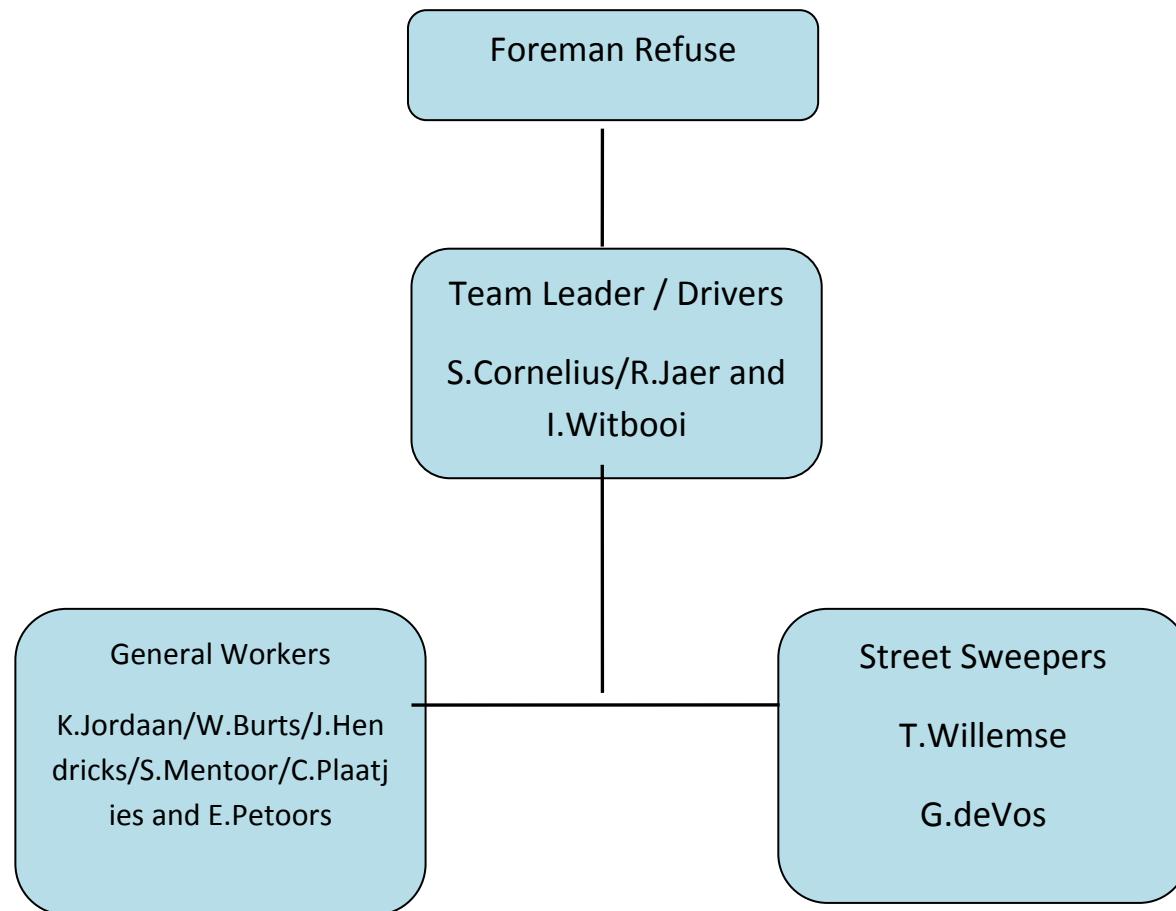
## **Steytlerville Admin Unit**

### **Refuse**

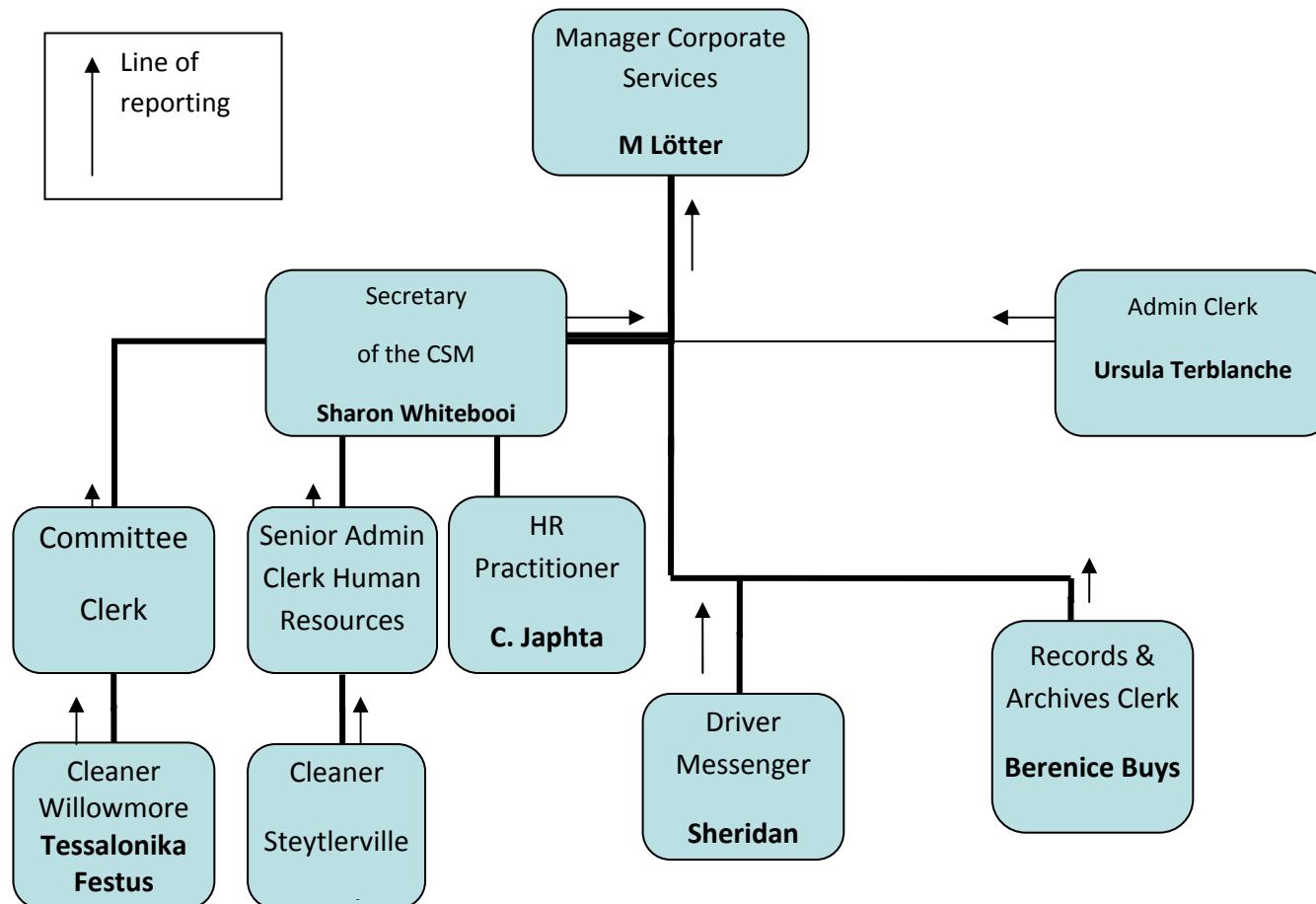


## Willowmore Admin Unit

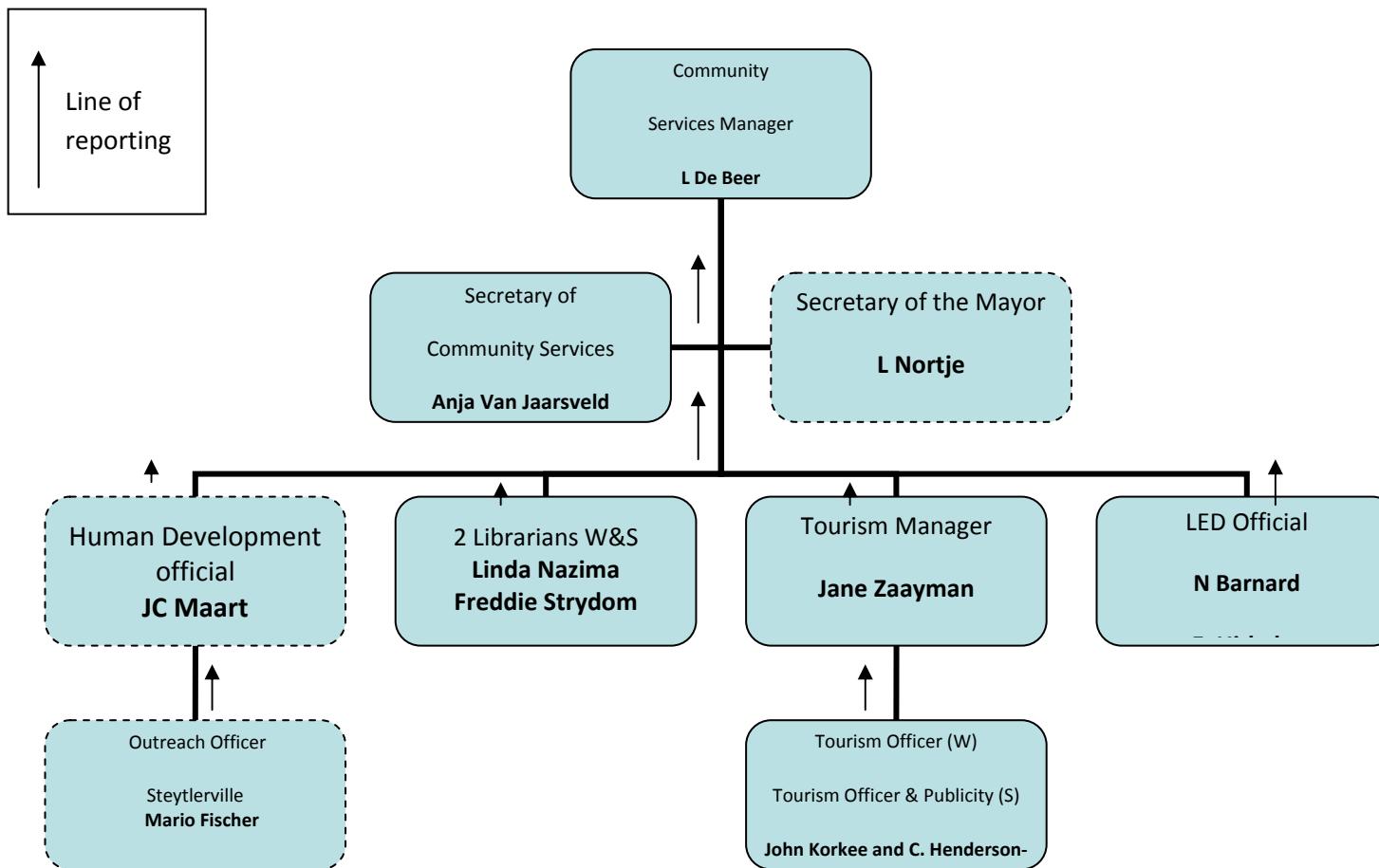
### Refuse



Department Corporate Services



## Department Community Services



CORPORATE SERVICES	FINANCIAL SERVICES	TECHNICAL SERVICES	COMMUNITY SERVICES
a) Human Resources <ul style="list-style-type: none"> <li>• Labour Relations</li> <li>• Disciplinary Hearings</li> <li>• Personnel Admin</li> <li>• Recruitment of Staff</li> <li>• Employment Equity</li> <li>• Skills Development</li> <li>• Training</li> <li>• Performance Management</li> <li>• Legal Matters</li> </ul>	a) Revenue & Debt Management <ul style="list-style-type: none"> <li>• Revenue collection</li> <li>• Debtors control</li> <li>• Natis &amp; Cash</li> <li>• Billing</li> <li>• indigents</li> <li>• Valuation roll</li> <li>• Tariff</li> <li>• Reports</li> </ul>	a) Civil Services <ul style="list-style-type: none"> <li>• Roads &amp; Storm water</li> <li>• Sanitation</li> <li>• Refuse Collection</li> <li>• Refuse Sites</li> <li>• Parks / Open spaces</li> <li>• Recreation Facilities</li> <li>• Building maintenance</li> <li>• Vehicle maintenance</li> </ul>	a) LED <ul style="list-style-type: none"> <li>• Tourism</li> <li>• Agriculture</li> <li>• Transport</li> <li>• SMME / Local Contractors</li> </ul>
b) Secretariat <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Agendas</li> <li>• Reports</li> <li>• Filing &amp; Archive</li> </ul>	b) Financial Management & Support <ul style="list-style-type: none"> <li>• Budgets</li> <li>• Assets Control</li> <li>• Risk</li> <li>• IT Systems</li> <li>• Investments</li> <li>• Reports</li> <li>• SCM</li> <li>• Projects</li> <li>• Trust Funds</li> <li>• Liabilities</li> <li>• MTREF</li> <li>• Audit Process (Internal/External)</li> <li>• Payroll</li> <li>• Creditors</li> <li>• Expenditure Control</li> <li>• Budget Implementation checklist</li> <li>• Insurance claims</li> </ul>	b) Electricity <ul style="list-style-type: none"> <li>• Reticulation</li> <li>• Maintenance</li> </ul>	b) IDP <ul style="list-style-type: none"> <li>• Coordination</li> <li>• Compilation</li> <li>• Special Projects related to IDP <ul style="list-style-type: none"> <li>- HIV / AIDS</li> <li>- Youth</li> <li>- Women</li> <li>- Disabled</li> <li>- Other</li> </ul> </li> </ul>
		c) Water <ul style="list-style-type: none"> <li>• Reticulation</li> <li>• Purification</li> <li>• Maintenance</li> </ul>	c) PMS <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Evaluation</li> </ul>
		d) Protection Services <ul style="list-style-type: none"> <li>• Disaster Management</li> <li>• Fire Services</li> </ul>	d) Career Development
		e) Traffic Services <ul style="list-style-type: none"> <li>• Law enforcement</li> <li>• Roadworthy</li> <li>• Licensing</li> </ul>	e) Library Services
		f) Parks & Recreation	f) Health Services (CDM) <ul style="list-style-type: none"> <li>• Personnel Admin</li> </ul>
		g) Community Facilities	



*Annexure B i*

2011 -12- 07



public works

Department  
Public Works  
REPUBLIC OF SOUTH AFRICA

BAVIAANS MUNICIPALITY  
MAIL DISTRIBUTION

REFERENCE No: 171312 DATE: 7/12/11  
REFERRED DEPARTMENT: MAYEK + T-SM  
ATTENTION: .....  
REQUIRED ACTION: .....  
ORIGINAL COPIES MUST BE FILED APPROPRIATELY - - - - -

Private Bag X65, PRETORIA, 0001 Int Code: +27 12 Tel: 012 337 3371  
Cell: 082 312 8957, e-mail: [odwa.tiya@dpw.gov.za](mailto:odwa.tiya@dpw.gov.za) website: [www.publicworks.gov.za](http://www.publicworks.gov.za)

**TO BAVIAANS MUNICIPALITY**

**EXPANDED PUBLIC WORKS INCENTIVE GRANT – QUARTER 1 OF NATIONAL FINANCIAL YEAR TARGETS AND PAYMENTS**

This letter serves to inform you of your performance in terms of EPWP incentive grants for 2011/12 financial year. It should be noted that the full quarterly performance report will be available on the department's website: <http://www.epwp.gov.za>.

For your Municipality, in terms of the EPWP incentive report, it can be reported that:

- 1- Against the quarter 1 FTE target of 42, and performance has been 90; indicating that 214% of the FTE target for Municipality has been met.
- 2- Against the annual indicative incentive of R 966 000 for the financial year national department, quarter 1's performance has translated into R 1 453 000 being accessed for payout; indicating that 66% of the indicative incentive allocation will be disbursed for quarter 1 performance.

**Explanatory note on key issues to be noted by participating public bodies**

**1- Disbursement:**

- a. Performance/progress is based on the actual number of Full Time Equivalents created by each public body. Monthly verification and other checks will be undertaken. Quarterly FTE performance will be assessed at the end of every quarter –
  - 22 days after the end of the quarter, quarterly performance against targets and quarterly disbursements amounts will be calculated.
- b. DPW will pay out R13 800 per Full Time Equivalent Job created above the pre-determined minimum threshold, up to the maximum incentive amount indicated in the 2011 Division of Revenue Act.
- c. FTE Performance above the minimum threshold will be the quarterly payment to be disbursed.
  - 45 days after the end of the quarter, payments will be made to participating municipalities and provincial treasuries. Confirmation of the payment and details of performance will be communicated via the attached allocation and disbursement notification schedule.
- d. It is the responsibility of provincial treasuries in terms of the grant framework to effect payment to the relevant provincial department as indicated in the allocation and disbursement notification schedule provided by DPW.

Lefapha la Diko tsu Seishaba, Department of Public Works Lefapha la Mesebenyi ya Seishaba Kgoro ya Mésimo ya Seishaba Ndzawulo ya Ministro ya Vaak! Litiko! JeT amsebenyi yathlumende Yomphakathi! Seba leMisebenyi yokuNu UmNyango wezzemiSebenzi yomPhakathi uMnyango Wemsebenzi Yomphakathi eMphakathi Muhasha wa Mihlomo ya Tshishavha Department van Openbare Werke

- e. Should you not have received your incentive allocation (indicated in the disbursement column of Annexure A), you are encouraged to contact either Odwa Tiya, Director: EPWP Technical Support, National Public Works on [odwa.tiya@dpw.gov.za](mailto:odwa.tiya@dpw.gov.za) or 012-337 3371; or Aaron Mazibuko, Director: Management Accounting, National Public Works on [aaron.mazibuko@dpw.gov.za](mailto:aaron.mazibuko@dpw.gov.za) or 012-337 3462.

It is important to emphasise that:

- This wage incentive is a *performance based incentive* which will be paid based on actual performance reported and will thus *only be paid out after EPWP employment has been created*.
- Public bodies that exceed their targets may be paid an incentive in excess of their published allocation.
- Incentive amount, subject to the availability of funds. However, the incentive amounts from underperforming public bodies will be re-allocated to over performing public bodies.
- Please note that in terms Division of Revenue Act municipalities are required to report monthly expenditure on the transferred amount to transferring Officer.

AARON MAZIBUKO  
DIRECTOR/ MANAGEMENT ACCOUNTING  
DATE *21/06/11*



Province of the  
**EASTERN CAPE**  
MEC LOCAL GOVERNMENT  
& TRADITIONAL AFFAIRS

Office of the Member of the Executive Council  
Tyamzashe Building · Phalo Avenue · Private Bag X0026 · Bhisho · 5605  
Eastern Cape · REPUBLIC OF SOUTH AFRICA  
Tel: +27 (0)40 609 5218 · website: [www.ecprov.gov.za/lta/](http://www.ecprov.gov.za/lta/)

Honorable Mayor  
Baviaans Local Municipality  
P. O. Box 15  
Willowmore  
6445

BAVIAANS MUNICIPALITY  
MAIL DISTRIBUTION  
REFERENCE NO. 51314 DATE 22/08/11  
REFERRED DEPARTMENT *Chief Clerk & ALL MANAGERS*  
ATTENTION: .....  
REQUIRED ACTION .....  
ORIGINAL COPIES MUST BE FILED APPROPRIATELY

Dear Colleague

**MEC COMMENTS ON THE ANALYSED DRAFT INTEGRATED DEVELOPMENT PLAN(IDP) -2011/12**

This is to acknowledge receipt of your municipality's Draft adopted Integrated Development Plan, which was analyzed from the 11<sup>th</sup> to the 15<sup>th</sup> of April 2011, by Sector Departments according to their departmental specific expertise from both Provincial and National Departments as well as State Owned Enterprises.

This correspondence seeks to communicate findings on the analysis of your draft 2011/12 IDP.

**IDP Analysis Rationale**

In compliance with Section 32(2) of the Municipal Systems Act, No. 32 of 2000 as amended, the MEC for Local Government may within 30 days after receipt of a copy of the IDP or an amendment to the plan make some adjustment proposals to the Municipal Council. In this regard, I hereby submit some suggestions and advice based on the findings of the analysis.

The MEC comments are basically meant to ensure that priorities of government spheres are clearly articulated and aligned by all spheres to ensure the optimal utilization of government resources to accelerate service delivery. This could only be achieved through the crafting of credible IDPs.

**IDP Analysis Methodology**

The IDP Assessment process was once again provincially centralised and municipal delegates participated in the analysis process and this interactive engagement approach has enabled collective agreement on scores and pollination of information at a peer level and from specialists in various disciplines for improved and accelerated service delivery.



## **MEC COMMENTS ON THE ANALYSED DRAFT INTEGRATED DEVELOPMENT PLAN(IDP) -2011/12**

Six commissions composed of delegates from district and local municipalities, Provincial and National sector departments and state owned entities were established in line with the following Key Performance Areas as contained in the IDP Analysis Tool.

Commission No's.	Key Performance Areas
1	KPA 1-Spatial Development Framework
2	KPA 2-Service Delivery
3	KPA 3 -Financial Viability
4	KPA 4 -Local Economic Development
5	KPA 5- Good Governance
6	KPA 6- Institutional Arrangements

Based on their findings, each Commission was requested to allocate an objective overall rating per Key Performance Area. The ratings ranged from low, medium to high within the following context:

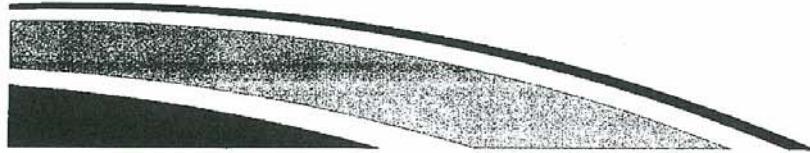
Score/ Rating	Performance Description	Action Required
Low	Poor	Immediate intervention
Medium	Satisfactory(credible)	Support required
High	Excellent(credible)	Benchmarking

Quality assurance was facilitated through designated KPA Leaders.

### **KPA Ratings as per your municipality**

Your municipality has been rated as follows:

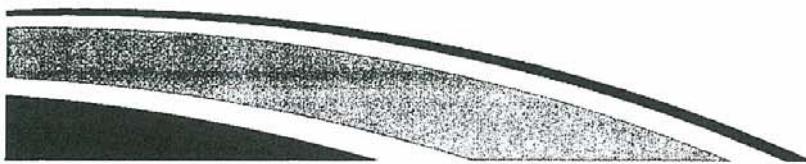
KPA	RATING 2008/09	RATING 2009/10	RATING 2010/11	RATING 2011/12
Spatial Development Framework	Low	High	High	High
Service Delivery	Low	Medium	Medium	Medium
Financial Viability	High	High	High	High
Local Economic Development	Low	High	High	High
Good Governance & Public Participation	Low	Low	High	High
Institutional Arrangements	Low	Low	Medium	High
Overall Rating	Low	Medium	High	High



### **MEC COMMENTS ON THE ANALYSED DRAFT INTEGRATED DEVELOPMENT PLAN(IDP) -2011/12**

Apart from the detailed findings illustrated in the individual IDP Analysis Report, there are issues relating to the process that affect many of our local municipalities, especially the category B4 municipalities. These could be summed up as follows:

1. Some municipalities continue to have the same shortcomings in some key performance areas as was identified during the previous assessments. It is therefore suggested that the integrated development planning process be prioritised by Section 57 Managers and Port Folio Committees in their oversight responsibility to ensure that quality information is provided.
2. It is recommended that the IDP Manager or officer be accountable to the Municipal Manager in the local municipality's where there are no Strategic Managers, to enable the effective coordination of s57 Managers' participation in the IDP processes. Managers must be held accountable for the quality of information in their respective Key Performance Areas. Likewise, the oversight responsibility by our colleagues serving in portfolio committees MUST include IDP Progress Monitoring per IDP Phase as well as the quality of information put forward in line with what is entailed in the IDP Analysis Report.
3. A brief overview of what has been achieved in the implementation of the previous IDP, challenges and suggested remedial measures need to be provided in the situational analysis report.
4. Municipalities must clearly state what their requirements are from each sector department in order to enable departments to prepare themselves for meaningful participation in IDP processes via the established forums. It is clear to us colleagues, that out of frustration, some municipalities tend to opt for one on one engagement with Sector Departments but the danger to that approach is that no single department can succeed on matters of service delivery without the participation of others in an integrated manner. We must promote a complementary approach in order to make the necessary impact on our communities.
5. It has also been observed that many petitions forwarded to municipalities as well as letters of complaints from communities revolve around service delivery issues and the non- participation of certain groupings in the IDP processes. This is against the provisions of our Constitution and Chapter 4 of the Municipal Systems Act, 32 of 2000 as amended. It is on this basis that I want us to focus on Ward Based Planning as the building block towards the development of a credible and legitimate municipal Integrated Development Plan.
6. In the next IDP process, government instruments like the Local Government Turn Around Strategy, Outcome Based Approach and Service Delivery Agreements must be taken into consideration, mainstreamed and labeled as such in the, IDPs.
7. It is also equally important colleague, to provide an attachment containing all powers and functions that are performed by your municipality as well as any Service Level Agreement and Memorandum of



**MEC COMMENTS ON THE ANALYSED DRAFT INTEGRATED DEVELOPMENT PLAN(IDP) -2011/12**

Understanding that exist. This will assist that your municipality does not plan for un-mandated functions.

8. Finally, It is also of great importance to indicate what the nature of the Audit Opinion your municipality received and what plans have been developed to address the situation.
9. Dear colleague, I need not over emphasise the importance of adhering to the process of legislated time-frames regarding the commencement and completion of the IDP processes with all phases thoroughly dealt with.
10. Let me take this opportunity to congratulate you for developing a good IDP. It has been noted that the municipality has improved the quality of the IDP and retained the high overall rating score it received the previous year. However, there is one KPA you need to improve on namely, Service Delivery.

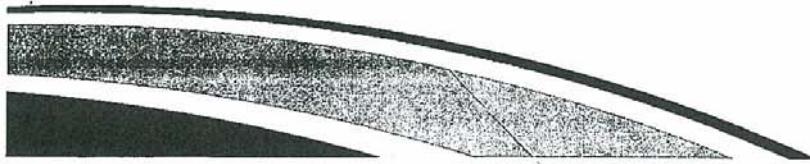
The detailed IDP Assessment comments are contained in the attached completed Assessment Tool format for consideration by Council and to guide the planning process for the next financial year in compliance with the Outcomes Based Approach.

I trust that these suggestions will go a long way to assist in the acceleration of service delivery in your municipality.

Yours faithfully

  
MLIBO QOBOSHIYANE  
MEMBER OF THE EXECUTIVE COUNCIL  
DEPARTMENT OF LOCAL GOVERNMENT  
AND TRADITIONAL AFFAIRS

DATE: 3 August 2011



#3301 P.002 / 005



Province of the  
**EASTERN CAPE**  
LOCAL GOVERNMENT  
& TRADITIONAL AFFAIRS

Municipal Support & Performance Management  
Tyamzashe Building · Phalo Avenue · Private Bag X0035 · Bhisho · 5605  
Eastern Cape · REPUBLIC OF SOUTH AFRICA  
Tel: +27 (0)40 609 5520 · Fax: +27 (0)40 635 9042 · website: [www.ecprov.gov.za/gta/](http://www.ecprov.gov.za/gta/)

E-mail: [Mongozi.konkwane@eclgta.gov.za](mailto:Mongozi.konkwane@eclgta.gov.za)

Enquiries: Mr. MF Konkwane  
Tel: 040-609 5430

The Municipal Manager  
Baviaans Local Municipality  
P.O. Box 15  
WILLOWMORE  
6445

Dear Mr Vumazonke

**RE: PROOF OF PAYMENT: R75 000: ABSA BANK (VOLSKAS): MUNICIPAL EXCELLENCE PERFORMANCE (VUNA) AWARDS: 14 MARCH 2011**

The above matter bears reference.

Kindly be informed that an amount of R75 000 has been deposited into ABSA Bank account No. 4053623514 in the name of Baviaans Local Municipality. The payment stubs (R25 000 & R50 000 dated 30/03/2011 & 29/04/2011 respectively) of this transfer are attached hereto to serve as proof of payments. It is humbly requested that the acknowledgment of receipt in respect of this fund be made in writing.

This municipality participated meaningfully in the recent Municipal Excellence Performance (VUNA) Awards contest and subsequently was awarded for best performance in the following categories:

- **Best Performance in Revenue Collection (R50 000)**
- **Excellent Performance in KPA 2: Service Delivery (R25 000)**

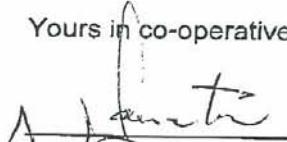
The department would like to take this opportunity to congratulate this institution for this enormous achievement in the hope that it will continue to rise in all areas of performance.



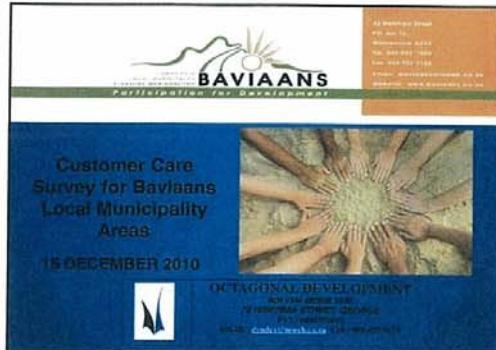
*Ikamva eliquaqumbileyo!*

**RE: PROOF OF PAYMENT: R75 000: ABSA BANK: MUNICIPAL EXCELLENCE  
PERFORMANCE (VUNA) AWARDS: 14 MARCH 2011**

Yours in co-operative governance



**SENIOR MANAGER: MUNICIPAL PERFORMANCE MANAGEMENT**  
**DATE: 17/05/2011**

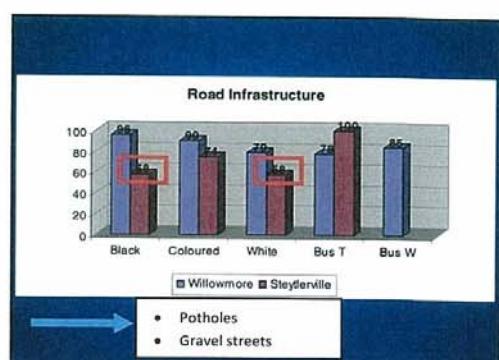
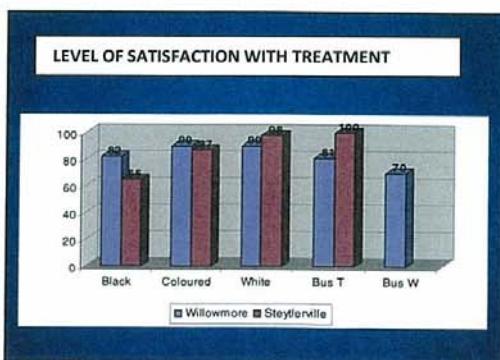


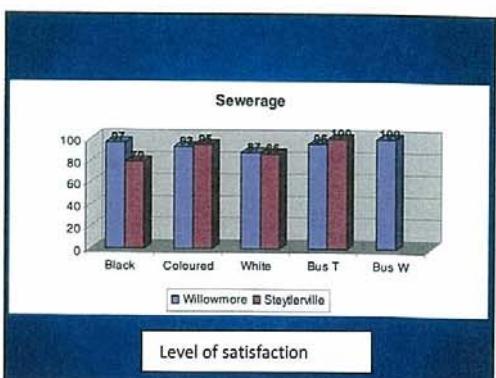
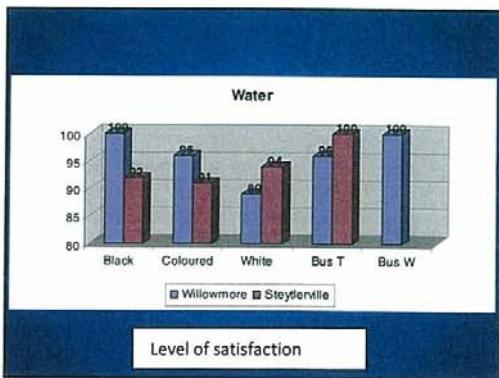
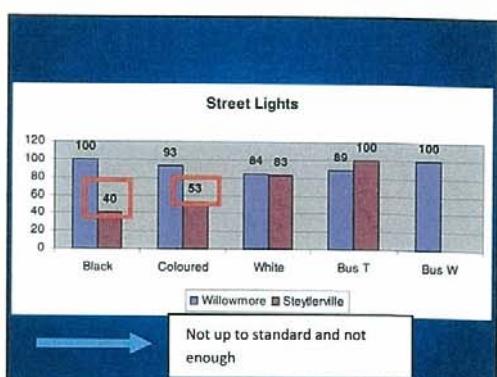
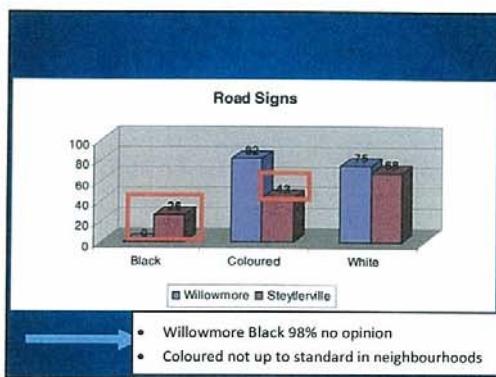
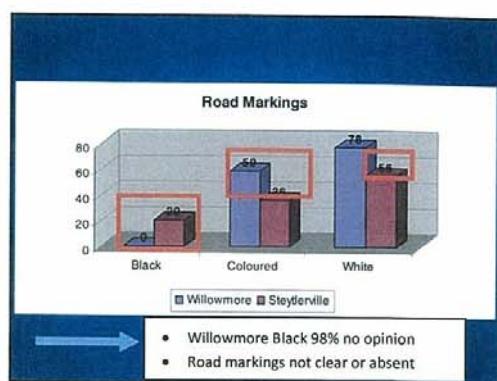
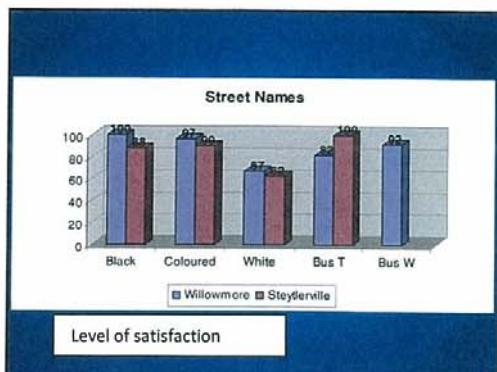
NUMBER OF QUESTIONNAIRES				
• WILLOWMORE	222	Black	44	(11:2008)
		Coloured	114	(138:2008)
		White	64	(7:2008)
• STEYTLERVILLE	126	Black	26	(61:2008)
		Coloured	62	(102:2008)
		White	38	(6:2008)
• BUSINESSES	50	Willowmore	40	(None)
		Steytlerville	10	(None)
• BAVIAANSKLOOF	41			(16:2008)

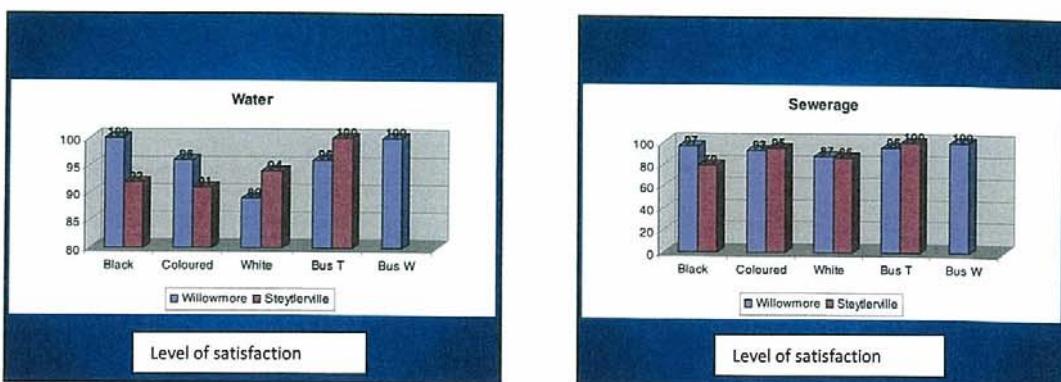
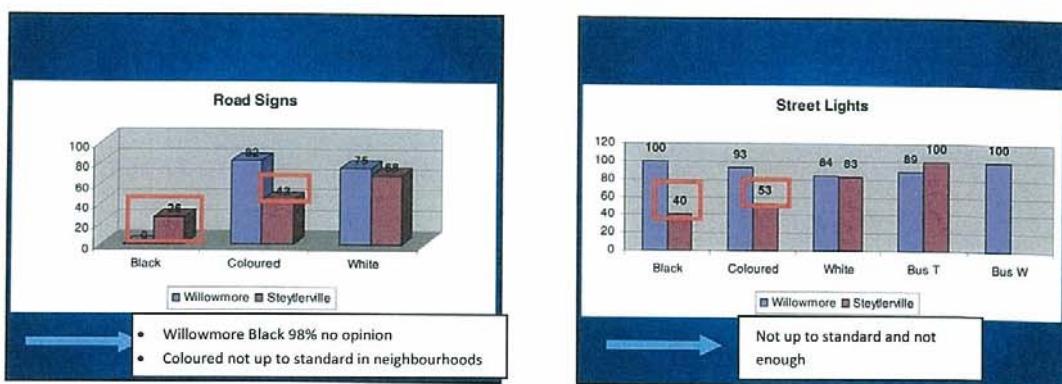
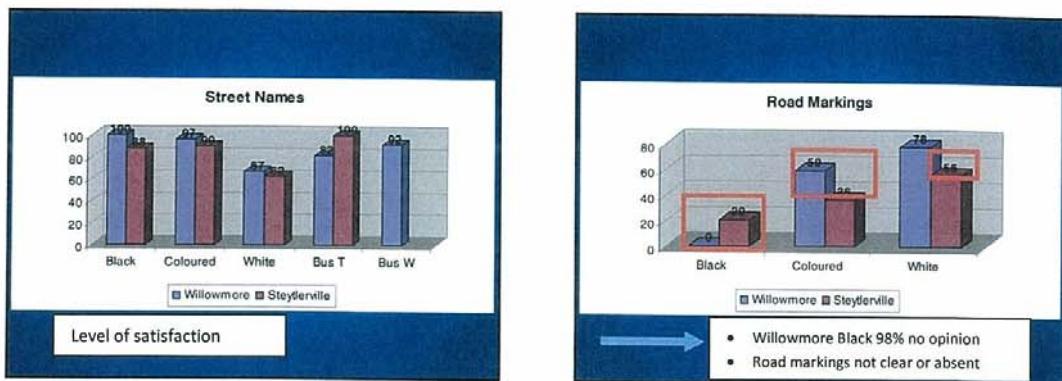
### METHODOLOGY

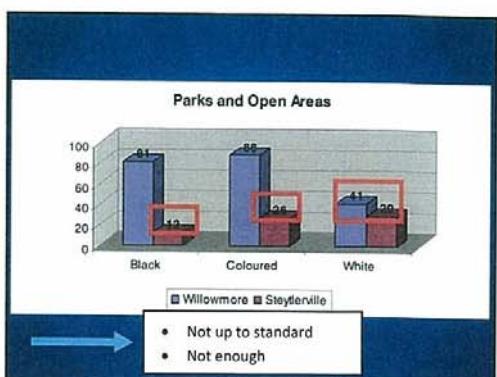
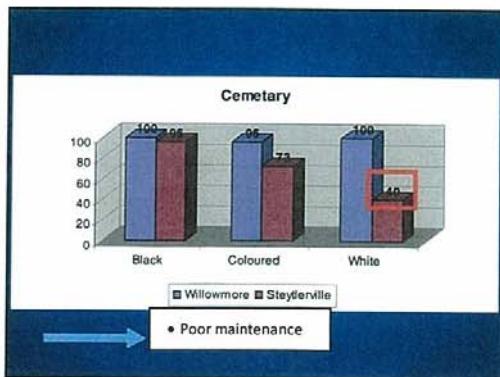
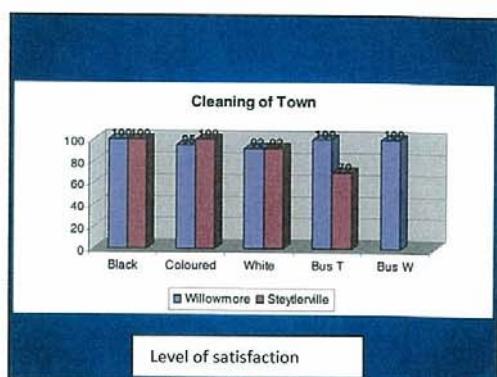
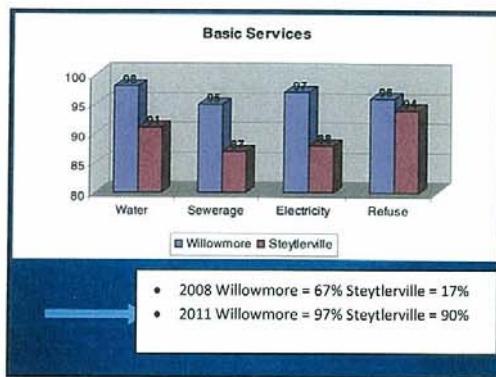
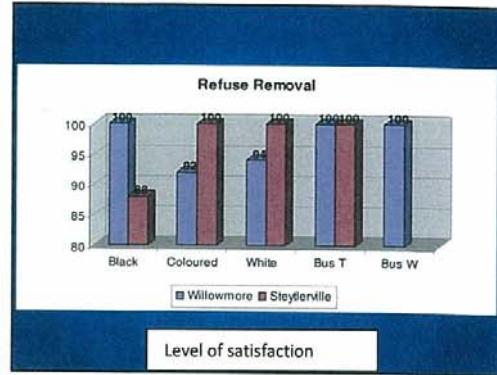
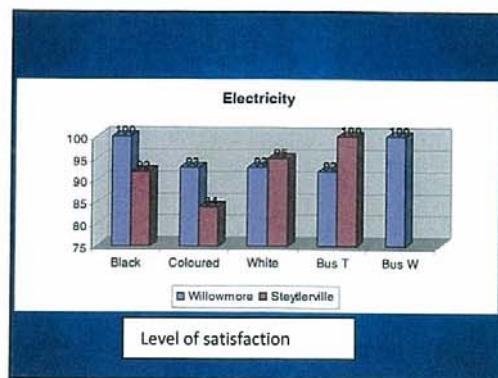
- National Performance Area used as framework;
- Semi-structured questionnaire;
- Spatial sample;
- Reference to colour for technical purpose only;
- Level of satisfaction on 7 point scale;
- Only perception of respondents who have experience

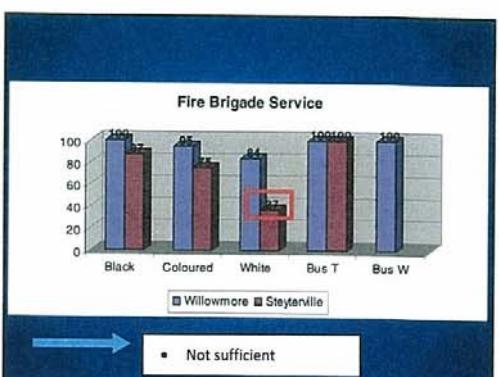
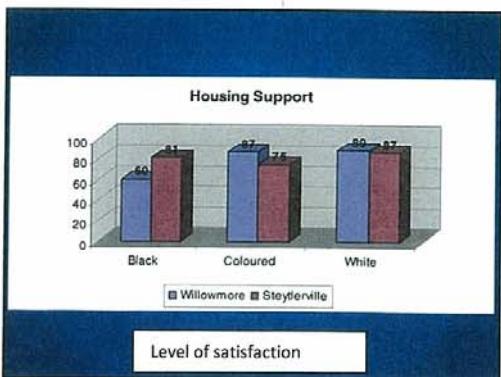
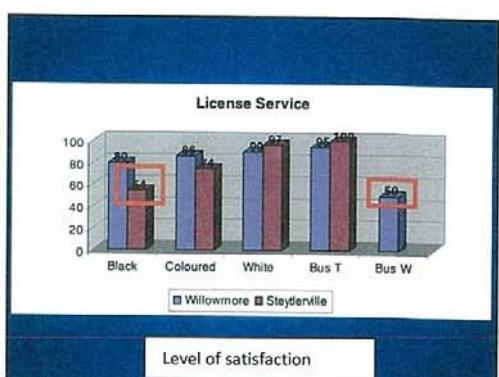
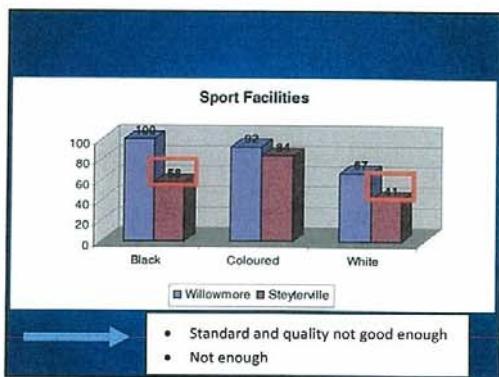
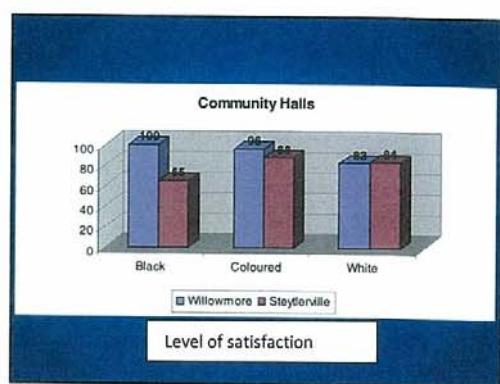
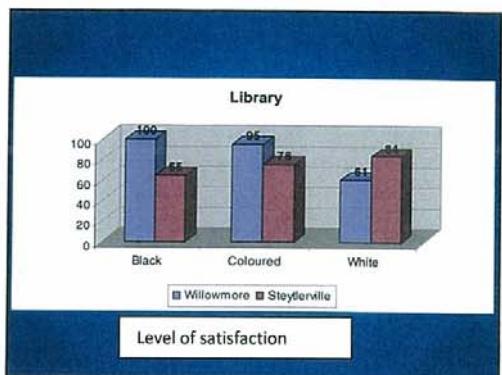
### SERVICE DELIVERY





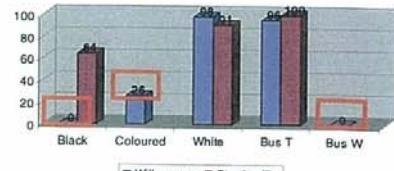






## ECONOMIC DEVELOPMENT

Tourism Service

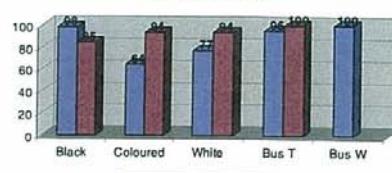


- Do not benefit from services

- More space needed for informal trading;
- Not enough support for festivals and social events;
- Need more sustainable job creation projects;
- Relevant training programmes must continue;
- Support of local products and services;
- Investment programme needed;
- Mentorship programme for entrepreneurs;
- Financial support and seed money

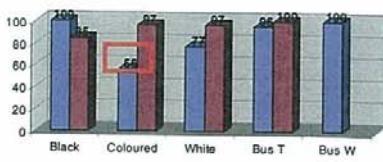
## FINANCIAL MANAGEMENT

Reading of Meters

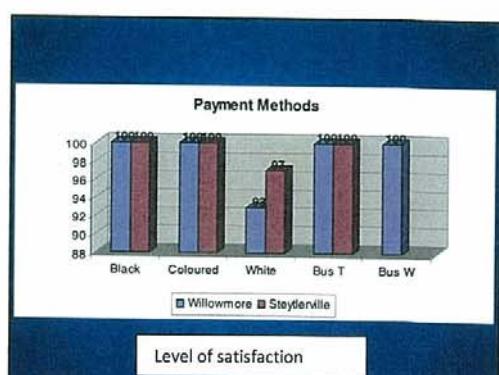
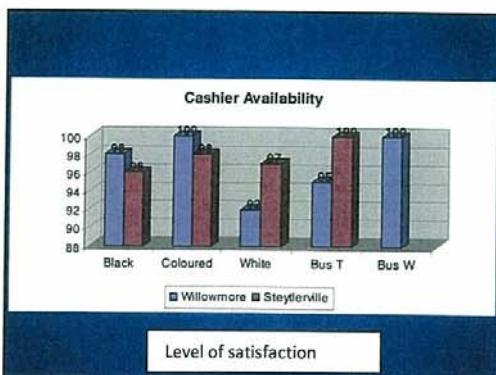
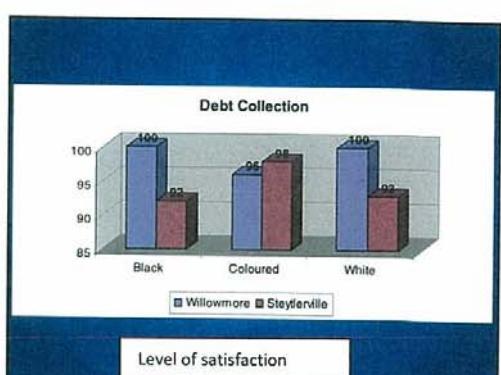
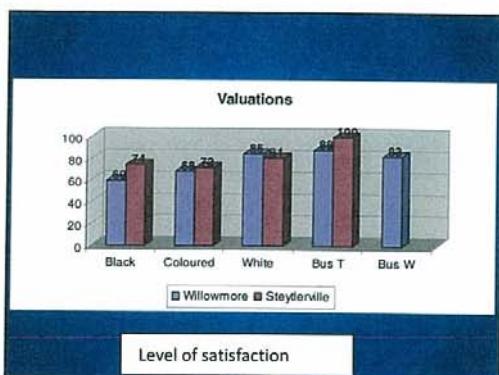
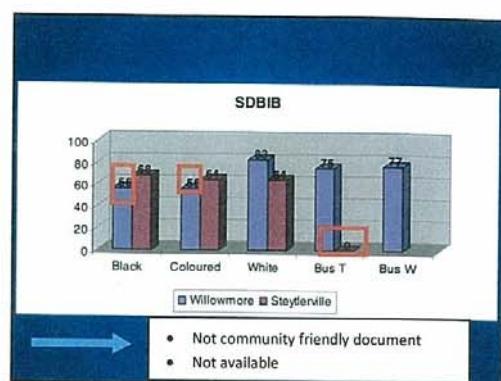
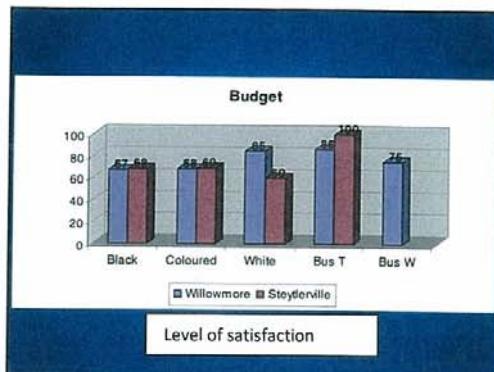


Level of satisfaction

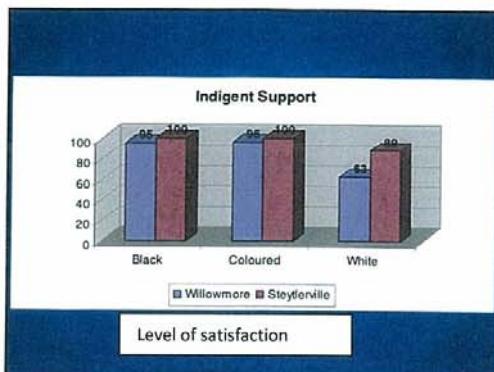
Accounts



- Accounts based on estimates of use

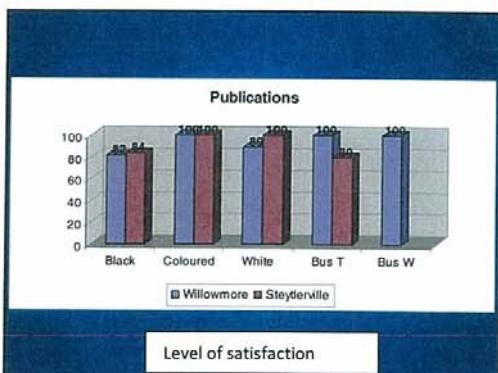


## GOOD GOVERNANCE AND PUBLIC PARTICIPATION



### PUBLIC PARTICIPATION

- Limited participation in public meetings;
- People are satisfied with meetings that they do attend;
- IDP, Budget and housing meetings most popular



### GENERAL FUTURE

#### DECISION MAKING

- More than 80% of businesses indicated that their inputs will influence decision making in municipality;
- In general community members are not sure to what extend their inputs will influence decision making in the municipality;
- Community members and business owners agree that they need to be consulted on any decision that may influence their standard of living or quality of life.

#### QUALITY OF LIFE

- Towns must be clean;
- Safety and security high priority;
- Environmental friendly;
- Rural lifestyle;
- Social cohesion
- Affordability;
- Human dignity.

#### FUTURE OF TOWNS

- In general more than 80% of respondents are positive;
- Poverty and lack of job opportunities greatest challenge;
- Tourism potential not fully utilised and developed;
- Youth leaving town (brain drain)
- Dependency on All Pay

#### BAVIAANSKLOOF: Zaaimanshoek

- 100% Satisfied with services of municipality and job creation through temporary work opportunities;
- Water, toilets, streetlights and sport field great improvement on quality of life;
- Too many unemployed youth and dependency on All Pay
- Too little interaction and benefit of tourism opportunities;
- Future in own hands but need support.

**THE END**

